PRIVATISATION

PAYING THE PRICE

£1.15

Labour Research Department

About the Labour Research Department

The Labour Research Department is an independent, trade union based research organisation which exists to supply trade unionists and the labour movement with the information they need. Through its publications and through its enquiry service it provides details on:

- wages and conditions
- the profits of individual companies
- major industries
- health and safety at work
- the economy
- the law at work
- social services
- and many topics in the economy, political and industrial fields.

Printed by
RAP Ltd
201 Spotland Road
Rochdale OL12 7AF
Telephone (0706) 44981
(T.U. All Depts.)

Photo: IFL/Report

Published by
LRD Publications Ltd
78 Blackfriars Road
London SE1 8HF
1/10/January 1987

ISBN 0 900 508 957

Contents

Introduction

The government's programme of privatisation has been encouraged from the start by right-wing ideologists, in the Adam Smith Institute, the Institute of Economic Affairs, and elsewhere. They have called repeatedly for further dismantling of the public sector, handing over its profitable potential and its workforce to private business interests.

There is no end in sight to the programme. Every nationalised industry — even steel, coal, and the railways — is being discussed as a candidate for 'restructuring' into profitable organisations that can be sold off; even the prison service is being considered for contracting-out; even nurses homes are being sold.

The government claims for privatisation are simple. It asserts that privatisation means greater efficiency, through the introduction of the competitive pressures of the private sector, whether through sales of assets or contracting-out. It claims that privatisation leads to savings in public expenditure, through the introduction of private contractors who cut the wages bill and through the sales of assets which in turn finance tax cuts. It claims that selling shares in public industry, and selling council homes, develop democracy through property ownership.

"The 'savings' from contracting-out are only achieved at the expense of tens of thousands of jobs..."

The reality of privatisation which is set out in this booklet shows a very different picture. The 'savings' from contracting-out are only achieved at the expense of tens of thousands of jobs, of extremely exploitative pay and conditions, of worse standards of service, of a loss of public accountability, and of increased costs which arise both from contractors' overcharging and from the costs to the state of unemployment. The case for competition has not been made. The contract cleaning business for example is now dominated by just two multinational giants who between them hold over half the public sector contracts — but have strong financial and personal links with the Conservative party.

Nationalised industries have been sold on the cheap, to ensure that the instant speculative gains attract a large number of buyers. Revenue from sales has been reduced further by the exhorbitant fees of merchant bankers and advertising agencies. The profitability of the bodies sold off was established while under public ownership. In most cases the initial numbers who bought shares have rapidly shrunk, as gains are cashed in, so that ownership becomes concentrated within the financial institutions and the richest sections of society. Inevitably customers will suffer higher prices, and workers' loss of pension rights and job security.

In terms of employment, value for money, democratic control and industrial policy, privatisation has proved itself a failure. The government has run into strong resistance, from workers who have taken industrial action against contracting-out and sell-offs of industry; from community health councils, teachers, parents and tenants who do not want to see their services handed over to private contractors; from health authorities and local councils who have resisted privatising services; and from public and parliamentary pressures which have led to the dropping of plans to privatise the water authorities, the Ordnance Survey, and a number of other bodies.

There are a few who have gained from privatisation. The cleaning and catering firms, who have so generously given to the Conservative cause, have been rewarded with a great increase in their scope for exploiting workers for profit. Merchant bankers and chairpersons of the former nationalised industries, have enjoyed huge increases in their personal incomes. The rich have been the sole beneficiaries of the tax cuts financed by selling off state industries.

The public services and the country's major industries, however, have gained nothing from privatisation. Completely different policies are needed to improve and strengthen them — based on democratic controls and public intervention. This booklet summarises the experience of privatisation in the last seven years, which demonstrates all the reasons why it should not be allowed to progress further.

Contracting-out

Since 1979 the government has been privatising the jobs of workers in the public services by offering the work to private contractors instead of directly employed labour. This has been done in the civil service, the national health service, and in local authority employment, through a number of administrative and statutory measures set out in the box below.

The government claims that through contracting-out 'savings' are made in public spending, because of greater efficiency resulting from the competitive environment of private enterprise.

But the reality is that contracting-out means:

- loss of tens of thousands of jobs, worse pay and conditions, and the casualisation of workers;
- a fall in standards of public service, a loss of public accountability, extra public costs from overcharging by contractors and increased public spending on unemployment;
- the rapid development of a new monopoly of cleaning contractors by two giant multinationals with strong financial and personal links with the Conservative party.

Melanie Friend (Report)

Contracting-out measures since 1979

Local Government Planning and Land Act 1980	Compelled councils to put building work out to tender. Subsequent statutory orders have increased the amount of work that has to be tendered.
Civil service initiatives	Contracting-out building work in Property Services Agency, cleaning and other work in various government departments, and 'hiving-off' functions to the private sector.
Compulsory tendering of NHS ancillary work	*Circular HC 83 (18)* tells all health authorities to arrange for putting cleaning, catering and laundry to tender. Subsequent circulars forbid protecting pay and conditions, sacking contractors without regional approval, and alter tendering rules to make it easier for catering and laundry firms.
Council initiatives	A few Conservative councils decided to contract work out (e.g. Southend, but by 1985 only 7% had contracted out refuse, and a number have sacked contractors.
Further measures planned for 1987 onwards	
Local Government Bill	Will compel councils to put cleaning and other services out to tender.
Using Private Enterprise in Government	Treasury report planning further privatisation in civil service.

Compulsory tendering for councils

The government stated in the Queen's Speech in November 1986 that it would introduce legislation to compel local authorities to put work out to tender, and restrict the use of contract compliance. A local government bill containing these measures is due early in 1987, with the aim of being passed by July 1987, and implemented from April 1988.

The bill is to be based on the green paper issued by the government in February 1985, entitled "Competition in the Provision of Local Authority Services", which proposed measures to apply in England, Wales and Scotland. The government dropped its plans to introduce legislation at the end of 1985, but following the postponement of water privatisation in June 1986, stated that it would introduce compulsory tendering for councils in the parliamentary session starting in November 1986. The bill was further delayed due to drafting problems.

Services covered

The green paper specified five services which would have to go to tender:

- refuse collection and street cleaning
- cleaning of buildings (offices, schools etc.)
- vehicle maintenance
- ground maintenance (parks, gardens etc.)
- catering services

It also stated that other services could be added by order of the Secretary of State. It was reported in November 1986 that the government was considering including the following services as well as those listed in the green paper:

- waste disposal
- transport services
- printing
- computing services
- architectural services
- sports and leisure management

The green paper suggested that all councils would be obliged to put the services out to tender, although it was concerned not to flood the market. At the end of 1986 it was suggested that the Secretary of State might take power to order individual councils to go to tender when the potential contractors indicated they were ready for that area.

Contract compliance

The green paper proposed to outlaw any terms in a council contract not directly related to the "quality, timing or cost" of the performance of the contractor. This would apply to *all* council contracts for goods or services, and so would constrain contract compliance on issues such as fair wages, training, and equal opportunities policies.

The government however stated in November 1986 that this would

not stop "reasonable actions" under legislation such as the Race Relations Act, or the promotion of employment prospects in inner cities.

The green paper also said that the Secretary of State should have powers to act against councils which he thought were acting unreasonably, either by negating the results of competitive tendering or by limiting competition. In October 1986 Nicholas Ridley indicated that he considered a council had acted unreasonably by requiring performance bonds worth 20% of the contract, limiting price rises in the contract to a maximum of 5% per year, providing stiff penalties for failure to perform, and for stating that leaving gates and doors open was a failure to do the job.

Enforcement

The green paper said that the Secretary of State would have powers to:

- order a re-tender after a contract had been awarded to direct labour, if he thought the council had 'unreasonably' limited competition
- prevent a DLO getting the work after re-tendering unless it was the cheapest tender
- close a DLO if a council "consistently" acts to negate competition.

The green paper also suggested that DLOs in the services listed would have to make a financial return of 5% on capital (in line with building DLOs); and that councils could be ordered to 'test' their costs against private contractors. It is not certain whether these provisions will be included in the bill.

Reaction

The reaction to the proposals in the green paper, and to the announcement in the Queen's speech of legislation, has been overwhelmingly hostile. Aspects criticised included:

- compulsion: for example, the Conservative-controlled Association of Districtd Councils said that "compulsion is not only unnecessary but counter-productive, and will further undermine democratic accountability for local services".
- cost: the Association of Metropolitan Authorities pointed out that the 1980 act had added 7% to building costs, and LAMSAC warned that tendering was "a costly and time-consuming process".
- quality: the government's failure to even acknowledge the poor standards shown by private contractors led the Convention of Scottish Local Authorities to say that the government simply equated value for money with 'cheap".
- contract compliance: outlawing restrictions on contractors would threaten safety, training, equal opportunities, and adequate pay and conditions — the Association of Metropolitan Authorities said "we do not believe that the government would really expect us to compete on such terms".

The price paid by workers

Job losses

The process of putting public service work out to tender results in the loss of large numbers of public service jobs. The private firms who win contracts provide some jobs, but invariably fewer, and so there is a net loss of jobs. Even successful inhouse tenders may lead to a reduction in jobs.

Table 1 sets out estimates of the gross loss of public service jobs as a result of contracting-out. About 71,000 jobs have been lost so far — but the government's continuing plans in all parts of the public services could result in a loss of an estimated 330,000 jobs. Three-quarters of the jobs lost were women's jobs, because the great majority of jobs contracted-out in all services have been cleaning jobs. The other group of workers hit hardest has been building workers.

Table 1: Gross loss of public service jobs from contracting-out

		Gross job loss		
Sector	*Occupation*	*Up to 1986*	*Future plans*	*Total*
Civil service	Builders	7,978	1,500	9,478
	Cleaners, catering staff etc	21,000	3,300	24,300
	Other	–	6,700	6,700
NHS	Cleaners etc.	25,500	25,500	51,000
Local government	Builders	7,500	–	7,500
	Cleaners etc	5,250	205,000	210,250
	Other, (mainly refuse, cleansing)	4,000	88,000	92,000
Total		*71,228*	*330,000*	*401,228*

Source: see appendix A

Table 2 shows that the net job losses from contracting-out, after allowing for the numbers taken on by contractors, is 34,000 jobs so far, with a further 129,000 threatened. The total net job loss from the government's programme is thus over 160,000, of which the overwhelming majority are women's jobs. They would represent an increase of over 10% in the official count of female unemploment in the U.K.

Table 2: Net loss of jobs from contracting-out (after allowing for workers employed by contractors)

Sector	*Net loss from contracts to private firms*	*Loss from inhouse tenders*	*Total net job loss*
Up to 1986	21,750	12,250	34,000
Future plans	83,250	46,000	129,250
Total	*105,000*	*58,250*	*163,250*
of which women:	70%	79%	74%

Source: see appendix A

Pay

Contracting-out has invariably meant cuts in pay for workers. Pay rates have been cut by cleaning contractors in the civil service, from the direct labour rate of £1.78 per hour to a median figure of £1.65 per hour — with some rates as low as £1.30 per hour. In local authority cleaning work similar cuts have been made: most recently ISS Servisystem cut pay rates on their new contract in Lincolnshire from the £2.24 previously paid by the council to £1.71.

In the NHS, the contractors have largely maintained a practice of paying NHS hourly pay rates — but the hours of part-timers have been cut by up to 50%, with a corresponding reduction in earnings. At Barking Hospital average earnings of domestics were cut from £87 per week to £47. In refuse and cleansing the average cut in earnings is about 15%, mainly due to the abolition of bonus schemes.

"On Pritchards' street cleansing contract in Wandsworth, their workers received no pay rise at all between 1982 and 1986..."

Initial cuts in pay have been followed by further real reductions. In some cases, workers simply received no pay rises: on Pritchards' street cleansing contract in Wandsworth, their workers received no pay rise at all between 1982 and 1986 (when the company lost the contract to R.B. Tyler). In the NHS, some contractors have tried to get away with not implementing further NHS rises — Crothall & Co attempted this at Maidstone Hospital, and only gave way after their workers, who were 80% unionised, struck in protest. On office cleaning contracts in the civil service, contractors have attempted systematic and repeated reductions in pay rates since 1983, when the government scrapped the *Fair Wages Resolution* (which required government contractors to provide pay and conditions in line with negotiated rates).

These pay cuts have been successfully resisted in some cases by determined action by unionised workers, as the table below shows. Pay rates for unionised cleaners employed by contractors are about 15% higher than those for non-unionised workers.

Contractors' pay cuts and workers' resistence (civil service)

Cuts implemented

Contract	Pay rates		
MoD RAF Culrose (Exclusive County Cleaning Assoc.)	£1.71	£1.60	£1.48
Welsh Office, Cardiff (Knight & Co.)	£1.72	£1.56	
DoE DTp. Newcastle (Provincial)	£1.70	£1.50	
DoE Manchester (Exclusive)	£1.71	£1.30	
DNS Durham (Cleaners Ltd)	£1.80	£1.40	
PSA Birmingham (Initial)	£1.70	£1.35	
MoD RAF Hereford (ICC)	£1.70	£1.50	
DHSS Fleetwood (CCA)	£1.70	£1.45	
MoD RAF Weston-s-Mare (ICC)	£1.75	£1.50	
DoE DTp, London (Reckitts)	£2.00	£1.30	

Cuts resisted/increases

Contract	Pay rates				
DHSS Birkenhead (ICC)	£1.71	(£1.40) strike	£1.86		
DHSS Coventry (OCS)	£1.71	(£1.45) strike	£1.84		
IR Llanishen (Exclusive)	£1.71	(£1.60) strike	£1.71		
MoD Army Aldershot (Exclusive)	£1.71	£1.60	(£1.54) strike	£1.60	£1.70
UKAEA Risley (Exclusive)	£1.71	£1.50 strike	£1.60	£1.71	
DVLC Swansea (Exclusive)	£1.80	(£1.50) strike	£1.70		
MAFF Gloucester (Provincial)	£1.81	(£1.40) refusal to cover	£1.60		
Charity Commission Liverpool (Blue Arrow)	£1.65	£1.96			
EOC Manchester (Sketchley)	£1.30	£1.50			
DTp coastguard, Falmouth (Gyllings)	£1.70	£1.80			
Halifax Building Soc. Liverpool (ICC)	(£1.80) strike	£1.96			

Conditions of employment

Worsened conditions of employment are as significant as cuts in pay, to both contractors and workers. An authoritative pamphlet by the Tory Reform Group estimates that the value of conditions of service such as pensions and sick pay is equal to 29% of the pay bill (*High Noon in the NHS*, 1984). For workers, they make the difference between employment that is secure against sickness, sacking and retirement — and casual labour with none of these protections.

For **building workers**, contracting-out can mean a loss of employment status altogether. According to the government's *Housing and Construction Statistics* nearly half of all building workers on private sector contracts are 'off the cards', treated as self-employed, with no employment protection legislation nor with security of employment from one contract to the next. The proportion of the workforce in this position has risen sharply since 1979 and earlier attempts to eradicate the evils of 'the lump' have been replaced by government encouragement of 'self-employment'.

The government's requirement for direct labour organisations (DLOs) to compete with private firms has also meant a squeeze on apprenticeships. The number of apprentices in DLOs has fallen by 36% since 1981.

Contractors involved in **refuse collection and street cleansing** have worsened conditions as compared to those of direct labour. Even before the *Fair Wages Resolution* was abolished in 1983, two firms — Exclusive, at Milton Keynes, and Wastecare at Wandsworth — had been found to be in breach of the Resolution, for failing to provide conditions which matched local agreed practices.

Table 3 shows the differences in the hours, holidays, sick pay and pensions quoted to Wandsworth Council by the main four contractors compared with local authority conditions. These too have since worsened: Pritchards were originally offering holidays of 10 days in the first year; and in their unsuccessful re-tender for Wandsworth they offered no sick pay at all.

Table 3: Refuse and cleansing employment conditions

	Local Authorities	*Exclusive*	*Pritchards*	*Waste-care*	*Waste Manage-ment*
Hours	39	40	40	40	40
Holidays: start	20	15	6	2	20
after 1 yr	20	20	15	20	20
after 5 yrs	25	20	15	20	20
Sick pay	26 wks full 26 wks half	4 wks full 4 wks half	8 wks at £50	6 wks at 90% of basic	20 wks at £50
Pension	Local authority scheme	None	None	None	None

In practice, working conditions can be even worse than the table suggests. A Pritchards worker in Wandsworth reported that "during the first year of employment we get no sick pay at all ... we are allowed only one day's holiday for every two months we have worked with the company" (*Public Jobs for Private Profit*). Employees of Exclusive at Milton Keynes found that, although the company stated that overtime was not compulsory, they were sacked for refusing to work overtime; and that a worker who went sick was first downgraded and then sacked because 'the company will not get 100% out of you' (*Community Action No. 63*).

Cleaners and domestics have experienced the greatest deterioration in their employment conditions as a result of contracting-out, since the reduction in part-time hours means not only a loss of earnings but also a loss of statutory employment protection and national insurance benefits. Often too they have had imposed on them working hours that are impossible to reconcile with domestic responsibilities. Overwhelmingly women, these workers effectively lose all protective conditions of employment and become treated as completely casual labour.

Very few contractors' employees work for more than 16 hours per

week, and so they risk losing their statutory rights to claim unfair dismissal, redundancy pay, maternity pay, time off for union duties, or guarantee pay when laid off, which are all based on minimum hours of work. Virtually none are paid enough each week to take them above the national insurance contribution threshold of £38.00 per week, and so they are ineligible for statutory sick pay, state pensions, unemployment benefit, or other contributory benefits.

With no sick pay, and probably no paid holiday either, contractors expect cleaners either to lose their jobs if they have to take time off, or to follow the practice of 'covering', whereby the worker sub-contracts another person to cover for them in their absence.

Conditions of employment of contract cleaners, civil service cleaners, and NHS cleaners

	Contractors	*Civil service*	*NHS*	*Local govt.*
Hourly pay	£1.67 (median)	£1.78	£1.81	£2.13
Bonus	None	None	15%(ave)	Rare
Holidays — basic	None	20 days	20 days	20 days
— after 1 yr	10 days	20 days	20 days	20 days
Pensions	None			
Sick pay	None			
Paid breaks	None	Yes	Yes	Yes

Source: *Bargaining Report 53*

"at DTI Glasgow cleaners' hours were cut from 35 to 12½ when a contractor took over..."

Cuts in hours for part-time workers are the opposite of a benefit. Many so-called part-time cleaners in the civil service, and domestics in the NHS, work as many as 30 hours per week. Contractors have made a priority of cutting these hours to get below 16 per week, to avoid the statutory employment protection rights: at DTI Glasgow, cleaners' hours were cut from 35 to 12½ when a contractor took over, and at Barking hospital hours were cut from 30½ to 15. On school cleaning contracts in Birmingham and Dudley, contractors cut hours by 15% and 30% respectively, as well as cutting jobs.

For some NHS workers, privatisation has also meant the threat of losing their homes. About 35,000 ancillary staff are estimated to live in hospital accomodation, and some have been evicted when contractors have taken over their jobs. Catering workers were evicted at Farnham Road hospital, Surrey, Queen Elizabeth hospital, Birmingham and Northwick Park hospital, Harrow, when private caterers took over.

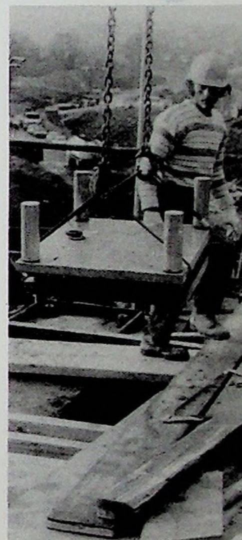
At St. Mary's hospital, Paddington, the health authority wanted to evict 20 domestics who were sacked when their work was contracted out to Mediclean. The women formed an occupation committee, and mounted a massive campaign to stay in their homes. The District Health Authority (DHA) finally agreed that all resident staff made redundant as a result of contracting out could remain in NHS accommodation until they found alternative accommodation.

In-house tenders

The tendering process or the threat of privatisation has led to cuts in jobs, pay and conditions even where work is not actually contracted out. In refuse collection, the largest single loss of jobs came at Birmingham City Council when the work was retained by direct labour only after cutting the workforce from 715 to 452 — a cut of 263 jobs, or 36.8%, almost exactly the average cut made by contractors.

In the NHS, in-house tenders have also led to significant cuts in some cases. In Greenwich, the workforce accepted cuts of 150 jobs in an attempt to avoid tendering of ancillary work. In other DHAs, 'successful' in-house tenders have involved major cuts — 31 domestic jobs cut in one DHA, a 37% cut in hours in another, ending of a bonus scheme worth 25% of pay in a third. In two cases — Hammersmith hospital, London, and Royal Victoria Infirmary, Newcastle, workers have taken industrial action against the in-house tenders. Overall, the DHSS claims that £48 million of the £73 million 'saved' by tendering work has come from cuts made in services remaining in-house.

Similar cuts have occurred in civil service cleaning.



Casualisation

The process of contracting-out has meant the casualisation of thousands of workers previously in well-organised, relatively secure jobs. DLO work has been taken over by building contractors, who employ about 50% of their workforce 'off the cards'. NHS ancillary staff, and civil service cleaners tend to be long-serving workers but cleaning contractors in both civil service offices and the NHS have experienced a very high turnover of workers due to their poor pay and conditions. Refuse and cleansing contractors have also had high turnover of staff, in some cases due to a deliberate policy of sacking workers who had previously worked for the council: in Milton Keynes, for example, only 8 out of 74 workers taken on at the start of the contract were still working for the contractor after 5 months.

Standards of service

The use of contractors instead of direct labour tends to produce a lower standard of service. This has proved true in all sectors where contracting-out has taken place — building work, cleansing and cleaning, and hospital ancillaries. It is a direct result of two features of contracting-out: firstly, the government's insistence on systems of competitive tendering which emphasise cheapness as the overriding criterion; and secondly, the reduction in jobs, hours, pay and conditions by which contractors achieve cheapness — at the expense of the quantity and quality of labour available to do the job.

Cost to the public

The clearest illustration of the fall in standards required is in Wandsworth, where the Conservative council privatised street cleansing in 1982. In putting the service out to tender, the council reduced the standard of cleanliness expected in the borough — whereas most streets were swept every other day, the tender documents stated that the majority of streets would be cleaned only once a week, with just 20% cleaned twice weekly. On this basis, the contract was awarded to Pritchards, with the cost to the council said to fall from about £1.4 million per year to about £0.8 million a year. The contractors could not meet even the reduced standards of the council, however, and the next four years saw constant complaints and fines on the contractor. When the work was re-tendered in 1986, the council acknowledged its own standards had been too low, and changed the specification so that 80% of the borough's streets would now be cleaned twice a week. The new contract was awarded to R.B. Tyler ('Teamwaste') — at a cost of over £1.5 million, a 50% increase on the cost of Pritchard's contract. The borough now has a service which is still worse than the one performed by direct labour up to 1982 — at a cost which is scarcely lower in real terms. It has only been the council's readiness to tolerate dirty streets that allowed it to accept the cheapness of Pritchard's performance.

Similar efforts to reduce standards have been made in the NHS: a paper from the Welsh Office, for example, suggested reducing cleaning frequencies in hospitals simply because lower standards were 'acceptable'. Even where authorities do not lower the standards explicitly, contractors who win the contract solely because they are cheapest lower the standards themselves. Examples of this are numerous in all areas of contracted-out work. Where authorities have operated rigorous monitoring systems, some quantification of the drop in standards has been possible.

In the NHS there are three examples of detailed monitoring. At the Royal West Sussex hospital, Chichester, detailed monitoring of the domestic services contractor's performance over 5 months showed that "overall 64/65% of tasks are being completed satisfactorily — but in some areas this rises to 80% and above, and on others falls to 40% and below" (report dated 10.9.85). At Addenbrookes hospital, Cambridge, monitoring in January and February 1985 showed an average of 57% performance in one month and 72% in the other — a combined average of 64½%. Again, the range of performance in different areas was between 30% and 86% (paper to Cambridge DHA, March 1985). In Croydon, the performance of a cleaning contractor in health centres and clinics was measured over five months, and averaged just 45% (report to DHA December 1985).

Even if the Croydon result is treated as untypically low, the others suggest that contractors' performance levels are about two-thirds of existing NHS standards.

In the area of cleansing, the most detailed figures available are from the street cleaning contract in Ealing. The performance level over 10

months averaged 78% overall, but only 57% on residential streets (report to council, October 1984).

The evidence is that the public pay for contractors through a cut in their standard of service of a quarter or a third. It is no coincidence that these cuts in standards are roughly proportionate to contractors' cuts in jobs.

"The evidence is that the public pay for contractors through a cut in their standard of services of a quarter or a third."

Monitoring and controlling contractors

The use of contractors instead of labour also results in a serious loss of public accountability for standards of service. In some cases, the public authority refuses to accept responsibility for complaints about standards of service, and simply passes complaints on to the contractor. At Northwick Park hospital, the administration went as far as to inform staff complaining about the newly appointed catering contractor that complaints should not be made to the administration at all but should be made directly to the contractor, thus seeking to avoid any knowledge of the standards of service as well as any responsibility for them.

The contractual relationship itself creates difficulties for authorities seeking to enforce standards of service on the contractors. On cleansing contracts, authorities have again and again found it difficult to enforce performance. In 1983, the cleansing manager of Eastbourne council was complaining that "the contractor seemed to do the minimum sweeping they could get away with, and the council had underestimated the number of contract supervisors and inspectors required to enforce the contract"; in 1986 the environment chief officer of Wirral council was voicing identical complaints, as Wirral transferred four extra inspectors to monitor the contractor: "They may put matters right eventually after complaints and default notices, but that is not good enough ... there is a clear distinction between the council's perception of a satisfactory service and what work Waste Management have to carry out to comply with the contract." Similar problems have recurred with NHS contracts. The clearest public expression of these difficulties is in a paper by the unit general manager of Westminster hospital, London, who reported to the health authority:

"... It is particularly disturbing that after seven months, the contractor has still failed to meet the standard required by the contract specification ... The problems associated with the Westminster contract have demonstrated that regardless of how good monitoring systems and procedures are, there is little direct action that we can take to get a contractor to perform. The only real sanction we have available is to impose financial penalties, but ... penalising them financially makes it more difficult for them to rectify matters. The extent to which they are penalised therefore becomes a finely balanced judgement, and our main concern has been to make the contract work rather than penalise the company. This approach has clearly not produced the desired result ... The ultimate sanction we could apply would obviously be to terminate the contract, but it is being made increasingly difficult for us to do this and would require the agreement of both the regional health authority and the Department of Health and Social Security ... there will almost certainly be a significant cost involved in re-tendering ... " (report dated 27.2.86 published in *PSA No 22*).

The sacking of a contractor generates extra difficulties for the health service: not only does the government try to prevent such sackings, it insists on a costly re-tendering exercise if it finally goes ahead, and once an inhouse service has been scrapped it is difficult for a health authority to provide immediate replacement of a service. When Mediclean decided to pull out of an unprofitable contract in North West Surrey which it had been carrying out badly, it was easier for the firm to leave than it would have been for the DHA to sack it: the district general manager observed that "it is all too easy for firms to pull out and leave us to pick up the mess".

Overcharging

The ultimate cost of using contractors often turns out to be significantly higher than the prices quoted in tenders. A number of building work studies have revealed this. A survey by the Country Surveyors Society in 1986 covering the chief officers of highways authorities throughout Britain, found that on average the amounts actually paid to contractors were some 17.4% higher than the tenders on which work had been awarded (the average overrun by DLOs, by contrast, was only 6.8%). An examination by the district auditor of builders' invoices to Cleveland County Council in 1985 found that the council had been charged over 10% more than the value of work done — an excess of £1,940 on contracts worth £18,931. An investigation by Merton council of a sample of builders' invoices found that money claimed for work not done amounted to 15% of the total value of invoices. Hackney council building shop stewards and tenants' representatives carried out their own investigation into builders' invoices, and found systematic overcharging ranging up to 100% and more (see *Community Action No 72*).

Cleaning contractors have also overcharged or demanded extra payments above tender prices, even on so-called fixed price contracts. At Milton Keynes, Exclusive were caught invoicing the council for £28,000 more than they were entitled to, by overstating the cost of plastic bags. In a number of cases, contractors have revised their charges upwards after their original tender had been accepted: either before the work on the contract started (for example the cleansing contracts at Southend and South Kesteven), or when a contract is up for renewal (for example, Provincial Cleaning asked Merton council for an increase of between 21% and 46% on their school cleaning contract, eventually settling for 15.8%), or during the course of a contract if a firm is failing to meet standards. There are many examples of this last type of increase. An extreme example is the domestic services contract at Addenbrookes hospital, Cambridge, where the contractor has been the focus of a strike lasting 22 months, and has been repeatedly found to be failing to do the job properly. The health authority agreed to increase the annual payment to the contractor from the tender price of £752,452 to £982,956 — a rise of over 30% which takes the cost of the contract

to £197,000 above the in-house tender which was rejected.

On cleaning and cleansing contracts, it is likely that such increases in charges are alternatives to shortfalls in standards of service. On building contracts the evidence indicates that, whether through error or corruption, contractors turn out to be 10% to 15% more expensive than their tenders indicate.

Public expenditure costs

Contracting-out is claimed to save money. These claims, however, look only at one aspect of public expenditure — the budget directly involved in applying for the service. Thus the government claims, for example, that contracting-out ancillary work has saved the NHS £73 million.

But the cut in jobs resulting from contracting-out means increases in other public spending on unemployment — through redundancy payments, unemployment benefit, other benefits, and increased demands on social services — as well as a loss of tax revenue from the fall in incomes. A detailed study of these costs has estimated that the planned extension of compulsory tendering in local authority work would produce an increase of nearly £2,000 million in public spending over a five year period, offset by only £1,334 million cuts in council budgets for services — a net increase of public spending of £660 million, or £132 million per year (SCAT: *'The Public Cost of Private Contractors'*).

Monopolisation and multinationals

The government describes its policies of contracting-out as 'competitive tendering'. But this is a wholly inaccurate description of the concentration of the contract cleaning business in the hands of a very few large multinationals.

This can be seen in three aspects of the business:

- mergers and takeovers;
- market dominance of two firms;
- multinational scale of operations.

Mergers and takeovers

The contracting-out of cleaning, catering and laundry work in the NHS started in 1984, opening up the biggest potential market so far for the contractors. In the same year, a series of takeovers and mergers began, which have progressively eliminated almost all competition from the field. The most significant takeovers were:

1984	**B.A. Lester** (hospital cleaning) bought by **Pritchard Services Group** — ten days after Pritchard's subsidiary Crothall had lost a contract to Lester.
	Taskmasters (cleansing and general cleaning) bought by **Hawley Group** from Alfred Marks.
1985	**Advance** (laundry) fully bought up by **BET** (BET already owned 81%).
	Initial (cleaning, hospital cleaning, laundry) fully bought up by **BET** (BET already owned 42%).
1986	**Pritchard Services Group** (cleaning, hospital cleaning, cleansing) bought by **Hawley Group**.
	HAT (cleaning, hospital cleaning) bought by **BET**
	Home Counties (cleaning, hospital cleaning) bought by **Hawley Group**.
	Brengreen Holdings (cleaning, catering, hospital cleaning) bought by **BET**.

Additionally, in 1985, **Wastecare** (cleansing) was bought by **Browning-Ferris Industries Inc** (USA), from Grand Metropolitan.

Similar trends can be discerned in catering: in 1985 **Fairfield Catering** was bought by **Sutcliffe Catering**, and in 1986 **Hamard Catering** was bought by **Compass Services**.

This process of mergers has been exacerbated by the withdrawal of other firms competing for business from the NHS. These withdrawals include:
from tendering for domestic contracts: Blue Arrow, OCS, Reckitt Cleaning Services, Spinneys, Sunlight; and, in practice, Hospital Hygiene Services and ISS Hospital Services.
from tendering for catering contracts: Allied Medical Catering, Spinneys.

Market dominance

The market dominance of the two big groups extends beyond NHS contracts. They also overwhelmingly dominate in refuse collection and street sweeping contracts, and civil service cleaning contracts.

The results of all the mergers is a pair of giant cleaning firms:

BET — subsidiaries include	Initial Exclusive Cleaning ICC Cleaning Services	general cleaning
	Biffa Exclusive Cleansing	refuse collection and street sweeping
	Advance Services Initial Exclusive Health Care Services ICC (Hospital Services)	hospital cleaning and laundry

Hawley Group — includes	Provincial Cleaning Progressive Cleaning Cleaners Ltd B.A. Lester Home Counties Cleaning	general cleaning
	Taskmasters Pritchard Industrial Services	refuse collection and street sweeping
	Mediclean Crothall & Co Lester Health Care Services Home Counties Hospital Cleaning	hospital cleaning

The table below shows how these two groups now hold between 46% and 62% of all the contracts awarded in civil service cleaning, local government refuse collection and street cleaning, and NHS domestic services.

Table 4: Dominant groups in contracting out

	Number of contracts held in:		
Group	*Local govt. refuse collection and street cleaning*	*Civil service cleaning*[1]	*NHS domestic services*
BET	13	23	46
Hawley	3	23	64
All others	10	53	97
BET plus Hawley as percentage of all contracts awarded	62%	46%	53%

1 based on returns from LRD survey, 1986.

Multinational operations

Contracting-out is dominated by firms who are not small entrepreneurs. They are part of large corporations, with worldwide activities. Table 5 shows their ownership and their parent companies' turnover.

The contract cleaning and catering firms have been persistent political lobbyists pushing the government to extend the scope of contracting-out and thus their scope for making profits. This lobbying is based on close ties in the form of political donations by the companies concerned to the Conservative party or fund-raising fronts for the party like British United Industrialists, and the presence of MPs and lords as paid consultants or directors of the firms concerned. Table 5 gives details of these links. The companies in this table hold 75% of NHS catering contracts, 68% of NHS domestic service contracts, 69% of local government refuse collection and street sweeping contracts, and 59% of civil service cleaning contracts.

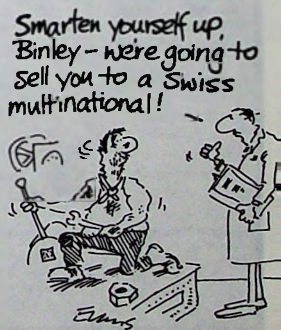


Table 5: Political links of contractors

Cleaning Contractors

Company	*Parent*	*UK turnover as % of world turnover*	*Political donations*	*Political connections*	*Other info & South African Links*
Initial (aka ISC) Advance Services Biffa Exclusive Cleaning Exclusive Cleansing Exclusive Health Care Services ICC Cleaning Services ICC (Hospital Services)	BET	58%	Year end March 86: £15,000 to Conservative party. Year end March 85: £10,000 to Conservative party. Now owns HAT Group which gave: year end Feb 86: £4,750 to S-W Industrialists Council; year end Feb 85 £5,000 to S-W Industrialists Council. Now owns Brengreen Holdings which gave £21,480 to Conservative party year end Mar 84.	Rt. Hon. Christopher Chataway, former Conservative minister and M.P., is director of BET. David Evans, former owner and chair of Brengreen/ Exclusive group, is Conservative candidate for Welwyn and Hatfield.	BET have 39 subsidiaries in South Africa, employing 7,328 workers. Of these, 699 are paid below the EEC recommended minimnum rate: the third worst record of UK companies
Provincial Cleaning Progressive Cleaning Taskmasters Mediclean Pritchard Industrial Services Pritchard Services Cleaners Ltd. Crothall & Co B.A. Lester Lester Health Care Services Home Counties Cleaning Home Counties Hospital Cleaning	Hawley Group	31%	Now owns Pritchard Services Group, which gave: year end Dec 85, £13,000 to Conservative party; year end Dec 84, £12,000 to Conservative party.	Now owns Pritchard Services Group, to whom Sir Anthony Grant, Conservative M.P. for S.W. Cambridgeshire, is an advisor; and which is a client of the public relations firm run by Michael Forsyth, Conservative M.P. for Stirling.	Pritchards have a South African subsidiary which employs 2,145 people — 1,860 of whom are paid below the EEC recommended minimum rate: the worst record of any UK company.
Reckitt Cleaning Services	Reckitt and Colman	27%	Year end Dec 85: gave £27,000 to British United Industrialists. Year end Dec 84: gave £26,000 to British United Industrialists.		
Office Cleaning Services OCS Hospital Services	OCS Group	100%	Year end Mar 85: £1,000 to Conservative party; year end Mar 84, £4,000 to Conservative party.		
R.B. Tyler	AAH Holdings	100%	Year end Mar 85: £200 to unnamed group; year end Mar 84, £200 to unnamed group.		
The Ramoneur Co.	Norman White (City) Ltd	100%	Year end Sep 83: £350 to unnamed group.		
Hospital Hygiene Services CCA (Office and Factory) Cleaners Ltd.	Care Services Ltd.	100%		Marcus Fox, Conservative M.P. for Shipley, is director of Care Services.	Richard Clements, a civil servant in the DHSS, is a director of Care Services, on secondment from the DHSS.

Company	*Parent*	*UK turnover as % of world turnover*	*Political donations*	*Other info & South African Links*	
Taylorplan Cleaning Services (formerly known as Berkeley-Taylorplan Services)		n/a		Lord Parry, a Labour peer, is a director of Taylorplan Cleaning Services.	
Waste Management	National Freight Corporation	100%			
ISS Servisystem ISS Hospital Services	ISS International Service System A/S (Denmark)	n/a			
Wastecare	Browning-Ferris Industries (USA)	n/a			
Cleanaway	Brambles Industries Ltd (Australia) and GKN	n/a	GKN gave £10,000 to Conservative party.		
Catering Contractors					
Gardner Merchant	Trust House Forte	82%	Year end Oct 85: £42,000 to Conservative party; year end Oct 84 £40,000 to Conservative party.	Conservative peer Lord Forte is chair of Trust House Forte. Lord Boyd-Carpenter, Lord Peyton, and Earl St. Aldwyn (all Conservative) are members of the THF council (which guards THF's independence).	THF has two South African subsidiaries, but refuses to submit a report under the EEC Code of Conduct.
Spinneys	Steel Brothers Holdings	n/a	Year end Dec 85: £1,250 to Conservative party; year end Dec 84 £1,250 to Conservative party.		
	...43% of Steel Brothers Holdings is owned by: British and Commonwealth Shipping	60%	Year end Dec 85: £74,500 to Conservative party; year end Dec 84, £97,900 to Conservative party and £3,892 to Economic League.	Ian Lloyd, Conservative M.P. for Havant, is a consultant to British and Commonwealth.	Has 28 South African subsidiaries, employing 733 workers, up to 21 of whom are paid less than the EEC recommended minimum.
Sutcliffe Catering	Peninsular and Oriental Steam Navigation Co.	63%	Year end Dec 85: £20,000 to Conservative party.	Earl of Inchcape, Conservative peer, is president of P&O; Sir Jeffrey Sterling, a former advisor to Norman Tebbitt at the DTI, is chair of P&O.	P&O has a South African subsidiary.
Compass Services (UK)	Grand Metropolitan	57%	None; but has advertised in 'Economic Affairs', journal of rightwing Institute of Economic Affairs.	Sir Paul Dean, Conservative M.P. for Woodspring, is consultant to Grand Metropolitan.	Grand Met have 124 subsidiaries in South Africa, employing 2,051 people.

Bus privatisation

The 1985 *Tranport Act* dismantles the planned and co-ordinated network of bus (and in some cases train) services run by local authorities. Instead, operators whose interests are solely those of profit will run services subject only to minimal safety requirements. The scope for subsidising routes not covered by these operators is limited. The publicly owned bus operations: seven passenger transport executives in the metropolitan areas and 50 district council owned Municipal Bus Undertakings have been formed into limited companies, removing their direct accountability to local government. They too could be sold off at a later stage.

In London, control of public transport was transferred from local to central government in 1984. London Regional Transport (LRT) was split into separate companies: underground, buses and engineering, and separate businesses which have to tender for work (eg catering services). 'De-regulation' has not been extended to London, but LRT has contracted-out a number of bus routes, although retaining ultimate control over the routes, fares and timetabling.

De-regulation

De-regulation has been the main method used to privatise bus services. The 1980 *Transport Act* introduced the first stage of deregulation which applied to long distance coach and bus journeys. Certain safety restrictions now apply only where operators make journeys with more than 30 miles between stops.

The government expected a transformation of the industry as new private operators entered the market but although traffic grew the main beneficiary was the state owned National Bus Company (NBC) whose inter-city subsidiary, National Express, carried 75% more passengers and earned 62% more revenue between 1980 and 1982. The expected influx of private operators was not sustained. As a result the government introduced new measures.

The 1985 *Transport Act* extended de-regulation throughout the country to all bus services (except London), by abolishing road service licensing. All operators were required to register the 'commercial' routes they wanted to run by February 1986. Transport authorities then put out to tender any remaining routes which they thought were socially desirable and which they were prepared to subsidise. The resultant routes came into operation on 26 October 1986. From 26 January 1987 any operator need give just six weeks' notice to alter any existing or proposed service. Private operators will be able to move in and compete just on peak services at peak times, rendering routes no longer viable for publicly owned operators to run.

De-regulation has been accompanied by privatisation of other kinds. After the National Bus Company's success in the long distance coach market the government decided not just to sell it off, but first to

break it up into 70 separate companies and to sell each individually. In this way it was weakened giving other operators a better chance to compete. There has been no rush to buy NBC subsidiaries, and by November 1986 only National Holidays had been sold to a private company, Pleasurama; four bus companies had been disposed of in management buy-outs.

A further pressure has been placed on bus companies by forcing them to tender for routes. Outside London, non-commercial routes not sought after by operators but which the local authority wants to run and therefore needs to subsidise have been put out to tender to the lowest bidder. In London, LRT is on the way to putting 25% of its service routes out to tender. Of those put out to tender by LRT, just under half have gone to private operators or NBC subsidiaries. LRT is going to great lengths to assist operators. It has provided them with ticket machines, computer hardware and software to collect fare and passenger information. It may also supply buses.

Other services have also been affected. LRT has separated off services such as building, cleaning, catering and advertising. London Buses Ltd and the London Underground Ltd. and London Engineering, now 'buy' in these services against competitive tendering. The principal result is to create pressure on jobs, on pay and conditions (see pages 22-23). As in other areas, terms are loaded against the in-house services. For example, the LRT catering services are not deemed to own the equipment and buildings used by LRT canteens. Their ownership has been allocated to the separate companies which 'buy' the catering services. Thus these are available for use by any catering company brought in, and LRT catering loses the benefit of its prior investment in facilities.

Effect on services

Deregulation and privatisation have produced a worse service. The full effects of de-regulation are still developing but already the pattern is clear:

- over provision of services in areas of high demand

A bus war broke out in Glasgow at the start of de-regulation, as a two-mile jam of 70 buses, mostly empty, filled the main street fighting each other for passengers. Meanwhile on the outskirts of the City, passengers found that services had disappeared altogether.

- loss of rural and urban services

NBC figures indicate a 35% cut in bus miles on registered routes, while urban areas have been cut by 8.5%. Further cuts are anticipated after January 1987.

- loss of off-peak services

NBC early morning mileage is down 35%, evening mileage is down 43% whilst Sunday services are more than halved, (53% cut).

■ poorer quality

London Regional Passenger Committee confirms that a higher percentage of complaints are submitted about routes lost to LBL. Old buses deemed unsuitable by public transport authorities in London and elsewhere have been bought up and are now running on new de-regulated services.

Competition

"There is not as much competition as we might have liked" according to Transport Minister John Moore. Apart from Glasgow, there has been little competition on commercially registered routes. There will be direct competition for passengers on only 3% of routes and only about 200 new bus operators have so far entered the bus business, compared with about 1,500 already operating. In some areas eg. S. Wales, artificial competition has been created, where NBC companies now compete with each other and with municipal bus companies.

"Estimates of jobs lost in the metropolitan areas go as high as 9,000..."

Competition is not entirely 'free'. The publicly owned bus companies are operating within tight restrictions. For example they are not allowed to use profits from one route to subsidise another. However, private companies can cross-subsidise from other parts of their businesses. In the same way, publicly owned facilities such as bus stations have to be freely available to all operators, yet the publicly owned bus operators do not have access to the facilities of private companies.

Accountability

Local accountability for passenger transport has almost disappeared. In London, transport services were removed from the control of the elected Greater London Council to the Secretary of State in 1984. In the other metropolitan areas, passenger transport authorities are ultimately accountable to a joint board of local authority nominees. Formed as limited companies, their policies will no longer be election issues. The budgets of the joint boards are controlled by the Secretary of State for Transport.

Impact on workers

The full extent of job losses resulting from deregulation is not yet known. Estimates of jobs lost in the metropolitan areas go as high as 10,000 and include: West Midlands 1,445; South Yorkshire 1,900; Manchester 2,100. NBC have steadily cut 14,592 jobs since 1979. Figures are not yet available for job losses arising from the 1985 Act. Similarly jobs have also gone as garages and engineering services have been cut. The 50 municipal bus undertakings have cut jobs by 13%.

The pay and conditions of those remaining in the industry are being seriously eroded. Employers at NBC and in the Passenger Transport Executives (PTEs) tried to take the opportunity presented by the 1985 *Transport Act* to abandon their national agreements, and although union pressure forced both sets of employees to return to national negotiation, the pressure on pay and conditions remains.

Stephano Cagnoni (IFL)

Competitive tendering is used to force down wages. In some areas, bonuses for one person operated buses have been scrapped, or are not being paid to new drivers. In some areas (eg Norwich) double decker drivers have been laid off and replaced by minibus drivers on lower pay. Overall on PTEs, wages of drivers are estimated to have fallen by up to 30% according to the government Transport and Road Research Laboratory. The average drop in take-home pay in municipal undertakings is 16%.

Attempts to safeguard transport employee pension rights were specifically turned down by the government during the passage of the *Transport Act*. The NBC's pension funds will cease to exist and each company will have its own scheme, offering poorer benefits. PTE staff are slightly better off because they belong to local authority schemes which will continue to operate and existing employees will continue in the local authority pension schemes. New employees will be offered less attractive and cheaper private schemes but many of the private operators, especially the smaller ones are unlikely to offer any pension schemes.

In addition transport workers are being pushed to accept longer hours, shorter holidays and to work shift systems. In some areas (eg Preston) part-time drivers are being recruited, to replace full-timers.

Savings

The government is claiming that de-regulation has led to savings in public subsidies. These are unlikely to be sustained. First, many NBC companies have tendered for more routes than they really want in order to keep out competition; similarly very low tenders have been submitted. After January it is expected that operators will go back to the local authorities for larger subsidies and if they fail to get them could abandon some routes. In the longer term, companies have not made allowances for depreciation, thereby underestimating the total costs involved.

Savings by bus operators may also be passed on to other services. So for example, in rural areas where bus services have been withdrawn, people will have to make greater use of ambulance and social services, where they would have used buses.

Housing sales

A major part of the government's privatisation programme has been selling off council housing. Since 1979 it has made £10-£12 billion on house sales, compared with £4 billion on the sale of British Telecom.

Effect on tenants

Rick Mathews (IFL)

Although a few councils had been selling off council housing for some time, sales began to rocket in 1980 with the introduction of "right to buy" legislation. This gave tenants both the legal right to buy their council houses and large discounts to encourage them. Since then, some 600,000 houses have been sold, running at a peak level of 181,200 a year in 1982-83 and shifting responsibility for maintenance and so on from the public sector to the individual owner.

Meanwhile, council house waiting lists have been running at around 1.2 million households, even though some councils have taken drastic measures to cut the queues by tightening the eligibility criteria. And homelessness has reached record levels, rising from 53,000 households in 1978 to 94,000 in 1985.

At the same time the government's philosophy of privatising home ownership has led it to slash by about 70% the amount of money available to local authorities for capital investment since the last year that Labour was in power. This has resulted in a reduction in public sector housebuilding from 93,000 dwellings started in 1978 to 33,000 in 1985. And although the sale of houses should have left councils with £3-4 billion to build new ones the government is only allowing them to spend 20% of this, the rest to remain in investment accounts.

In the government's eyes, the widespread sale of council housing has been a success, but in fact sales under "the right to buy" are now tailing off. This is partly because of the physical state of much of the remaining stock but also because three-quarters of council tenants are now on housing benefit so either would not want to buy or could not afford to.

Sales of council estates

To deal with this problem, and to further promote the privatisation of home ownership, the government has just introduced the *Housing and Planning Act*, which will have dramatic implications for the whole structure of public housing. The housing campaign group Shelter said that what it could bring about for the first time would be "the wholesale privatisation of the management, ownership and financing of public rented housing". Among other things the Act:

- extends the council's duties to sell under right to buy, increases

the discounts to a maximum of 70%, and allows tenants to qualify more quickly;

- eases the disposal of blocks of flats or entire housing estates with sitting tenants to private trusts or companies;
- allows councils to move tenants, against their wishes, to "suitable" alternative accommodation for redevelopment of their homes (tenants will, "where appropriate", receive some financial compensation); and
- allows councils to privatise or delegate the management of the remaining stock.

Even before the *Housing and Planning Act* came into force, many councils sold, or considered selling, blocks of flats or even entire housing estates. Official figures have so far not been kept on the sale of estates except for those sold at below the best price offered; in this category there were 27 local authorities which had sold a total of 5,891 dwellings to private developers by February this year. However, investigations by *Labour Research* revealed that at least 48 councils had sold or had considered selling houses and flats to private developers by July this year.

This trend has been helped by the government's restrictions on council spending on capital projects and its channelling of funds to private companies to enable them to make profits out of council house refurbishment. The Urban Development Grant (UDG), for example, was meant for the regeneration of derelict and run-down urban areas, but it has also been used by councils to get developers to buy their housing estates and redevelop them for sale. (UDG is given when a council agrees to sell an estate to a private developer, who invests a certain amount of cash in refurbishing the properties for resale at profit on condition of a UDG cash injection. 75% of this is paid by central government and 25% by the council. Even if the developer makes more than what the Department of Environment calls a "reasonable rate" of profit, the council only recoups 47.5% of the excess profit.)

To foster this sort of arrangement and to encourage councils and developers to make maximum use of UDG and other government grants, the government last year set up the Urban Housing Renewal Unit (UHRU) under the auspices of the Department of the Environment (DoE).

One of the UHRU's major terms of reference is "to encourage authorities to adopt, where appropriate, one or more of a range of existing disposal solutions such as: a) sales of tenanted estates to private trusts or developers; b) sales of empty property to developers for re-furbishment for sale or rent".

The first estate to qualify for funds under the UHRU scheme, Calderdale council's Abbey Park in Illingworth, showed how keen the government is to switch resources from the public to the private sector. The project involved "a joint venture with private developers to refurbish and sell around 300 empty dwellings" and attracted £2.3 million funding from government programmes. As the Labour councillor for the estate Peter Squibb pointed out: "The ludicrous aspect is that the DoE is happy to put that cash into private companies but they won't put it into councils".

These types of projects will become more common as a result of another provision of the *Housing and Planning Act* which enables the government to make grants direct to private companies for "urban housing renewal" schemes such as refurbishing private and former local authority housing for sale. This new "Urban Regeneration Grant" will be available to developers where local authorities themselves are reluctant to apply for existing funding (under UDG) for "partnership" schemes. As Shelter pointed out, "almost certainly local authorities' housing investment programme allocations (from central government) would be further reduced as subsidies to the private sector for the refurbishment or redevelopment of housing for sale was expanded."

Union response

The Campaign Against Estate Sales (CASE) was set up in April 1986. Already it has some NUPE and NALGO branches affiliated and is approaching other unions nationally and locally.

There has been some success in involving trade unionists. In Tower Hamlets, for example, NALGO refused to work on proposals for the disposal of homes on Teviot Street to a private trust.

And the *Housing and Planning Act* should further arouse the interest of local union branches, particularly in the light of the clauses on privatisation of estate management. In Wandsworth, London, where the council has pioneered privatisation, the local NALGO branch joined tenants to score a success in 1983 in preventing the privatisation of maintenance and management of a large group of estates in the west of the borough.

Unfortunately, however, Wandsworth has continued apace with its privatisation policy, showing the need for continuing effort in this area.

State sell offs

Privatisation, in the sense of the sale of state owned assets, has become a cornerstone of the government's economic and industrial policy. The receipts from the sale of large chunks of British industry have made it easier for the government to claim to be meeting its public spending targets and may be used to justify tax cuts in the months to come.

The change of ownership from public to private is presented as all that is needed to transform industrial laggards into dynamic entrepreneurial companies. And in political terms the greater spread of share ownership throughout the population is seen as having two-fold benefit. First by promoting a general change in attitude towards companies and profits, employees are to see themselves as part owners of Great Britain Ltd. Second it is hoped that millions of individuals will have a direct personal stake in the continuance of a Conservative government which poses no threat to the gains they have made, and indeed offers more of the same.

John Smith (IFL)

The extent of privatisation since 1979 is now very substantial. About 30% of the 1979 state sector, involving more than 500,000 jobs, has been transferred to majority private ownership. The details are set out in the table on page 28 and they indicate that in aerospace and shipbuilding, and energy and telecommunications the previously dominant state sector has either shrunk dramatically or disappeared altogether. The extent of privatisation in transport is dealt with in pages 20-23.

The future, at least according to the present government, is clear. In June 1986 writing the pamphlet published by the right-wing pressure group Aims of Industry, John Moore, until a month before minister responsible for privatisation in the Treasury and now a member of the Cabinet, stated:

"The programme will continue until all state-owned commercial industries are returned to where they belong — the private sector."

The difficulties that have already arisen with the planned sell-offs of water, parts of the Rover Group and the Royal Ordnance indicate that this may be rather easier said than done (see page 45). But the overall aim is clear and the table on page 29 lists potential privatisation candidates already mentioned by the government.

Later sections of this booklet look at how far privatisation has achieved the benefits claimed for it; benefits which are alleged to extend to customers, employees and the economy as a whole. But first we need to look at whether or not the state got a fair price for the assets it sold.

The price paid for the privatised industries

Virtually all the evidence indicates that the state sold the assets that were privatised for less than they were worth.

Kenneth Fleet, economic editor of The Times and no friend of the

Table 6: Privatisation sell offs since 1979

Sold so far

Date	*Company*	*% Sold*	*Received (£m)*
1979			
December	ICL	25*	37
1980			
January	British Petroleum	5	276
June	Fairey Holdings	100*	22
July	Ferranti	50*	54
1981			
February	British Aerospace	52	43
July	British Sugar Corporation	24*	44
October	Cable & Wireless	49	182
1982			
February	Amersham International	100*	64
February	National Freight Consortium	100*	5
April	Redpath Dorman Long	100*	10
November	Britoil	51	549
1983			
February	Associated British Ports	52	22
March	International Aeradio	100*	60
March onwards	23 British Rail Hotels		51
September	British Petroleum	7	543
December	Cable & Wireless	22	262
1984			
March	Scott Lithgow	100*	12
April	Associated British Ports	48*	51
May	Wytch Farm	50*	82[1]
June	Enterprise Oil	100*	380
July	Sealink	100*	66
August	Inmos	76*	95
August	Jaguar	100*	297
November	British Telecom	50	3,900
1985			
May	British Aerospace	48*	346
June	Yarrow Shipbuilders	100*	34
August	Britoil	49*	426
November	Vosper Thornycroft UK	100*	15+
December	Cable & Wireless	23*	580
1986			
January	Swan Hunter Shipbuilders	100*	5
March	Vickers Shipbuilding & Engineering	100*	60[2]
July	Royal Ordnance Leeds factory		11
November	British Gas	100*	5,600

*if entire government shareholding

+estimate

1. Initial payment of £82m with a further £130m when output reaches 20,000 barrels a day.

2. Downpayment of £60m with further payments of up to £40m dependent on profits.

The table does not include many smaller disposals in particular by British Steel, British Shipbuilders and the Rover Group (formerly BL).

Table 7: Identified privatisation targets

British Airways (planned for January 1987)
Remainder of Royal Ordnance
British Airways Authority
Water authorities (after election)
Rolls Royce
Further parts of British Steel Corporation
Parts of Rover Group (discussions going on Leyland Bus, Unipart and Llanelli Radiators)
Shorts

Plus residual shareholdings in partly privatised companies.

trade union and labour movement even before he went to Wapping, explained it in these terms in July last year:

"In practice the markets, partly because of the sheer size of individual bits of privatisation, have been able to get hold of state assets at a bargain price. The desire to give big issues away ... has meant government receipts from privatisation have fallen far below any reasonable measure of the discounted stream of future income from former state industries.

The Treasury's economists, if they had run the narrow cost-benefit calculation through the computer, would have had to reject privatisation almost certainly in every case."

The behaviour of the stock market confirms this analysis. Figures published by the *Investors Chronicle* in October 1986 show that a notional investor who put £500 into each of the privatisation issues to that time (excluding British Gas) would have seen his or her holdings more than double in value — profits of £9,375 on an original outlay of £7,500.

Part of this rise is explained by the general rise in stock market prices. So the *Investors Chronicle* did another sum for its readers. It calculated the extent to which the value of shares in privatised companies had increased over and above the value of the stock market as a whole. The result confirmed the view that the assets have been sold at a discount. Shares in privatised companies have outperformed the stock market by 17%. These are overall figures but they are borne out by individual cases.

One indication is how keen people have been to get hold of the shares when they were first issued. There have been 11 occasions when shares in privatised companies have been offered for sale on the stock exchange at a fixed price. In every case more people have wanted shares than there were shares available, ie the shares were oversubscribed. The degree of oversubscription has varied, from 1½ times, with the first sale of British Petroleum shares in 1979 to a massive 34 times with the shares of Associated British Ports in 1983. But even the largest share offer ever made until that of British Gas, the sale of £3.9 billion of shares in British Telecom, was over subscribed five times.

This degree of oversubscription and the massive profits made by speculators in the first hours of trading (see below) forced the

Table 8: Fixed price sales

Company (date)	price offered p	opening price	% gain
British Petroleum (October 1979)	150	154	+ 3
British Aerospace (February 1981)	150	171	+ 14
Cable & Wireless (October 1981)	168	203	+ 21
Amersham International (February 1982)	142	190	+ 34
Associated British Ports (February 1983)	112	130	+ 16
Jaguar (August 1984)	165	176	+ 7
British Telecom* (November 1984)	50	95	+ 90
British Aerospace* (May 1985)	200	242	+ 21
Britoil* (August 1985)	100	124	+ 48
Cable & Wireless* (December 1985)	300	305	+ 2
British Gas (December 1986)	50	67	+34

*partly paid shares — full price of shares: 363p British Petroleum, 130p British Telecom, 375p British Aerospace, 185p Britoil, 587p Cable & Wireless and 135p British Gas.

government and its financial advisers to reconsider their selling methods. For some disposals, particularly those with a small involvement by the general public, they adopted instead the method of sale by tender. This involves the purchaser making an offer, for shares at or above a price set by the seller, similar to a reserve price at an auction. If they offer too little they may not get the shares, if they offer too much they will get them but will have paid over the odds.

"There have been five cases of sale by tender. But the City, deprived of its opportunity to make really big profits ... has been reluctant to co-operate."

There have been five cases of sale by tender. But the City, deprived of its opportunity to make really big profits by reselling the shares within hours or days, has been reluctant to co-operate. In only two of the five cases was the price paid for the shares higher than the reserve price fixed by the government. It is also significant that three of the five tender offers were for shares in companies which had already been partially privatised and whose shares were already being traded. This made it politically more difficult to offer shares at a price very much lower than that for existing shares. The other two tender offers were for Britoil and Enterprise Oil, both of whose shares have suffered from the collapse in oil prices.

Sale of the shares through the stock market has been only one of the methods of privatisation used by the government. Companies and factories have also been sold direct to larger concerns, and to management buy outs. It is much more difficult to establish if the government has received a fair price from these sales as there is no market in the shares after the sale. This point was made by Sir

Gordon Downey, Comptroller and Auditor General, in a report published in February 1985.

There is however evidence that in two major cases at least the government receipts from privatisation were less than could have been expected, as in both cases the companies were sold when they were performing badly.

Sealink was sold to Sea Containers for £66 million in July 1984. An all party committee commented in November 1985:

"We are concerned with the discrepancy between the price realised for Sealink (£66 million) and the value (£108 million) at which the subsidiary was carried in British Railways' books. We appreciate that book value is not necessarily an exact measure of the price assets will realise on the open market and in this connection we note the view of the Department of Transport that, with a return to profitability, the value of Sealink's assets might have returned to their book value. That being so, the question arises whether the interests of the Exchequer were best served by selling the assets at a time when their value was depressed."

A similar point is made by British Shipbuilders in its annual report on the disposal of the warship building yards which on the government's instructions had to be completed by 31 March 1986.

"Although most of the warship subsidiaries had been profitable for a number of years they were, at privatisation, facing a turndown in their future prospects resulting in reduced profit and, in some cases, losses."

The result was that British Shipbuilders got £75 million for assets which in its books were worth about £320 million.

The government's case for privatisation, however, is not based on the money it has received for the privatised companies. Instead it has emphasised the supposed benefits to the economy through increased efficiency and wider share ownership.

These benefits are undoubtedly difficult to quantify and before attempting to do so it is worth examining some of the groups which have very directly gained from the sale of state assets to the private sector.

The most obvious group is made up of the financial institutions and City firms who have been involved in the sales. These have included firms of auditors and solicitors as well as financial institutions who have both provided advice to the government and acted as underwriters, ie guaranteed to take the shares at the reserve price set by the government.

The table sets out the details of fees and commissions paid out on each issue. The total on government figures (and other estimates are higher) is £284 million (not including British Gas).

This total is by no means the complete extent of direct receipts from privatisation gained by City firms and institutions. It excludes the fees and commissions paid on the Jaguar flotation which was undertaken by BL (now Rover Group), not the government. These were estimated in the Jaguar prospectus at £5.5 million. It excludes the substantial fee paid to the City companies which have organised

Table 9: Total fees/commission on individual stock exchange flotations

		£m
British Petroleum	1979	6.0
British Aerospace	1981	4.5
Cable & Wireless	1981	5.3
Amersham International	1982	1.5
Britoil	1982	11.7
Associated British Ports	1983	1.9
British Petroleum	1983	9.5
Cable & Wireless	1983	5.0
Associated British Ports	1984	1.1
Enterprise Oil	1984	9.2
British Telecom	1984	183.0
British Aerospace	1985	9.9
Britoil	1985	23.3
Cable & Wireless	1985	12.5
Total		£284.4

the sale of businesses which have not been sold through the stock exchange. The merchant bank Lazards for example sold the British Shipbuilders' warship yards and was no doubt paid handsomely for doing so.

Nor do these sums include the very substantial amounts paid out to promote and advertise the privatisation issues. According to Media Expenditure Analysis Ltd (MEAL), British Telecom spent £10.5million in advertising the sale of its shares in 1984. And the BBC *Money Programme* estimated that British Gas spent £30 million in advertising its privatisation — £6.70 per final shareholder or, put another way, almost £2 per customer.

However the City and its associates have not simply made money on privatisations through the services they have provided. Because most shares were being sold so cheaply, with demand far outstripping supply, speculators were able to make substantial gains by selling the shares they had been allocated at a handsome profit.

All of the fixed price share issues opened at a premium to the price fixed by the government, ranging from 3% at British Petroleum in 1979 to 90% for the partly paid British Telecom shares in November 1984. No wonder the *Financial Times* described the BT issue as "going too well".

Finally there is another group of people whose direct gains from privatisation are not in doubt. These are the directors and senior employees of the privatised companies. The best known beneficiary is probably Sir George Jefferson, chair of British Telecom. His annual salary rose from £84,198 in 1983/84, the last full year in which the company was publicly owned, to an annualised rate of £160,000 when the company was privatised in 1984/85. In 1985/86

his pay increased again to £172,206, double what it had been two years earlier.

Table 10: Salaries of directors and chief executives since privatisation

	1980	*1981*	*1982*	*1983*	*1984*	*1985*	*1986*
British Aerospace (Feb 81)							
Sir Austin Pearce	£48,000*	57,101	73,378	87,260	100,790	121,660	
annual increase %		+19	+28	+16	+16	+21	
Cable & Wireless (Oct 81)							
Sir Eric Sharp		£24,463†	52,245	111,952	136,881	182,131	238,893
annual increase %		(non executive)	+114	+114	+22	+33	+31
Amersham International (Feb 82)							
Dr Stuart Burgess			30,360	48,755	50-55,000	65-70,000	65-70,000
annual increase				+61	n.a.	n.a.	
National Freight Consortium (Feb 82)							
Sir Peter Thompson			£57,000†	69,496	98,292	100,380	
annual increase %				+22	+41	+2	
Britoil (Nov 82)							
Sir Philip Shelbourne			£72,000	80,000	98,000	106,000	
annual increase %				+11	+23	+8	
Associated British Ports (Feb 83)							
Sir Keith Stuart			£35,196	47,944	58,749	68,756	
annual increase %				+36	+22	+17	
Enterprise Oil (June 84)							
Graham Hearne					£90,000*	98,000	
annual increase %						+9	
Jaguar (Aug 84)							
Sir John Egan				£75,410	86,366	172,959	
annual increase %					+15	+100	
British Telecom (Nov 84)							
Sir George Jefferson					£84,198	111,399	172,206
annual increase %						+32	+55

*Salary at time of prospectus
†annualised

However, as the table above shows, Sir George is not alone in the gains he has made. There are a small number of men, many of whom have since been knighted, who as chairmen, or chief executives have pushed through privatisation and been well rewarded for their pains. Sir Eric Sharp in particular, chair of Cable and Wireless and a frequently quoted advocate of privatisation, has seen his salary increase from £24,463 (annualised) when he was non-executive chair in 1981 the last year in the public sector, to £238,893 in 1986 — a tenfold growth.

Performance

However the government argues that these costs are a small price to pay for the improved efficiency and wider share ownership which privatisation has produced. Both claims are doubtful.

Government ministers have pointed particularly to the apparently better performance of companies since privatisation. In the words of John Moore, then treasury minister responsible for privatisation:

> "The success of our privatisation programme is best illustrated by examining the performance of the companies we have privatised. In nearly all cases business has boomed. Turnover, profits and investments have increased." (April 1986)

But this statement is misleading for at least three reasons:

- the companies sold off were already profitable before they were moved into the private sector and like all other companies they have benefited from the general rise in profits since the early 1980s;
- the basis for their success as private companies was frequently laid while they were in state ownership, either in terms of investment or major restructuring and redundancies whose cost was borne when they were state owned;
- in a number of cases simple financial changes, for example writing off debts to the state or a change in treatment of pension liabilities, transformed their profits' performance at the stroke of a pen and generally at a substantial cost to the taxpayer.

The table below provides ample evidence of the profitability of the companies before they were privatised. In particular, British Telecom

Table 11: Profit performance of privatised companies

£ million

Pre-privatisation / Post-privatisation

Pre-tax profit (*loss*) to financial year ending:

	1978	1979	1980	1981	1982	1983	1984	1985	1986
British Aerospace (1981)	66.2	50.3	52.8	70.6	84.7	82.3	120.2	150.5	
Cable & Wireless (1981)	55.4	59.4	61.0	64.1	89.2	156.7	190.1	245.2	295.0
Amersham International (1982)	6.6	6.0	4.0	4.1	8.5	11.2	13.7	17.1	17.5
National Freight Consortium (1982)	11.1	10.0	0.4	4.3	10.1	11.8	16.9	28.8	
Britoil (1982)	*	*	303	437	514	586	688	730	
Associated British Ports (1983)	21.4	22.4	11.5	(10.3)	5.5	14.5	(6.4)	17.2	
Enterprise Oil (1984)		*	*	*	*	83.2†	138.5	111.1	
Jaguar (1984)	*	*	(47.3)	(31.7)	9.6	50.0	91.5	121.3	
British Telecom (1984)	*	*	317	570	936	1,031	990	1,480	1,810

*Comparable figures not available
†eight months' figures only

stands out. Between 1980 and 1982, pre-tax profits almost trebled from £317 million to £936 million. And in terms of operating profits (ie profits before tax and interest) the ratio of profits to sales was in fact slightly higher in 1981/82, at 25.8%, than it was in the first full year of privatisation in 1985/86 when it was 25%.

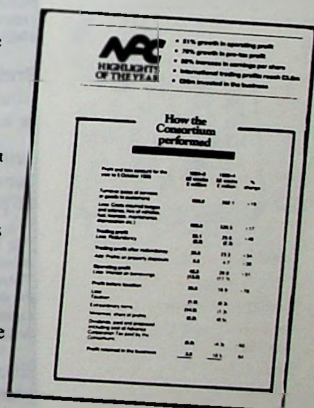
BT has been profitable because of its dominant share of the UK telecommunications market but other companies had carved out a profitable niche for themselves well before privatisation.

Amersham International, for example, was producing a pre-tax profit of £6.6 million in 1977/78. This was a 40.5% return on capital employed — a good deal better than the 25.8% return on capital earned in 1985/86, even though the absolute level of profits had risen to £17.6 million in the same period.

Amersham's chief executive Dr Stuart Burgess recognised this when he told the *Financial Times* in July 1985:

"We were always run on a commercial basis. Our competitors were all in the private sector. And we were efficient. So in our case the business has gone on in much the same way as before privatisation."

Associated British Ports, then trading as the British Transport Docks Board, achieved a £22.4 million pre-tax profit in 1979 — higher than anything attained since privatisation. And at British Aerospace although the company reported a £180.1 million trading profit in 1985 — equivalent to 6.8% of sales — this is no better than the 7.6% and 7.5% ratios of profits to sales, which the company was achieving in 1978 and 1979 when in state hands.



Overall privatised companies like the rest of the private sector have benefited from the general recovery in profits since 1982.

As Peter Thompson, the Chief Executive of the National Freight Consortium wrote in early 1982:

"NFC as a whole is surviving the worse recession since 1945 ... we believe the worst of the recession is over."

From the point of view of not just NFC and other privatised companies but the profits of the whole of the private sector, he was right.

In the NFC prospectus, Thompson notes that the company's investment continued throughout the recession. British Aerospace is another example of a company where the previous investment of the state owned corporation has helped ensure the success of the privatised company, as *The Economist* makes clear:

"Ministers cite the £200m order of BAe 146 aircraft won in California in 1983 as a gain from privatisation. In fact the BAe 146 was developed when BAe was state owned and was rated a failure until the surprise Californian order. BAe executives say the project would probably have been scrapped during development had the company then been in the private sector." (February 85)

Jaguar is also a case of public investment funding later privatised

profits. In the three years 1981 to 1983 a total of £88.7 million was invested in new plant and equipment. Development of the XJ40 model, launched in 1986 and intended as the mainstay of future sales was completed in substance before privatisation. The company's own privatisation prospectus makes this clear:

"The tooling for building the car body ... is completely new and purpose built facilities for building the car bodies have been established at the Castle Bromwich site ... the AJ6 engine, which ... will power the XJ40, is a new, high performance all aluminium engine ... built at Radford in a new machining facility and ... introduced ... in October 1983."

It is also worth remembering that Jaguar, as part of BL had failed in the private sector. In 1975 British Leyland had to be rescued by the government and one of the key causes of the company's collapse, identified by the Ryder report of the time, was that too high a proportion of profits were paid out in dividends rather than being reinvested in the company.

British Airways, whose long delayed sale to the private sector is finally planned for early 1987 provides a third example where public losses have been incurred to make the company a more marketable proposition. In the financial year 1981/82 the company declared losses of £544 million. Partially these were redundancy costs and partially the accelerated depreciation of the company's fleet of aircraft. As the *Financial Times* commented at the time:

"Management has written down a large chunk of the fleet with the result that future depreciation will be lower and profits in any prospectus forecast thus enhanced ... British Airways' pending capital reconstruction risks being seen more as a marketing exercise than an attempt to establish a realistic capital structure for the future." (October 1982)

British Airways is by no means the only company where financial adjustments have produced sharp increases in profit for the privatised or to-be-privatised companies.

British Telecom is by far the best example. Financial adjustments boosted its profits after privatisation by £254 million as the first set of privatised accounts, those to end March 1985, spelled out.

"At £1,480 million pre-tax profit was £490 million higher than in the previous year, although if allowance is made for special factors profit was £236 million (24%) higher. These special factors were £104 million attributed to the ending of the special provision for depreciation of obsolete equipment in customers' premises, £40 million to the reduction in pension contributions and £110 million to lower interest charges from August 1984 arising from the new capital structure."

Even this total is not the whole story as it relates only to part of the year. The full year's savings through those adjustments are correspondingly higher.

The National Freight Company is one of the government's favourite examples of the alleged beneficial impact of privatisation. But its movement from loss to profit was much assisted by financial adjustments to its balance sheet. In September 1980 the government

The sale of British Gas for £5,600m at the end of 1986 was the biggest state sell-off so far. But although its size was unusual many of the features of the sale were typical of the other major privatisations.

First it seems clear that British Gas was sold at a discount. The shares opened at 67p when dealing started on 8 December, 17p or 34% higher than the partly paid price of 50p.

Second as with other sell-offs, the sale of British Gas helped some rich people to get richer still. Fees paid to underwriters, legal advisers, and other city institutions were stated to be £123 million by Energy Secretary, Peter Walker, and this does not include a total of £41 million spent on advertising and so on. Speculators who were allocated shares were able to make a killing on the first day. And, like his other privatising colleagues, Sir Denis Rooke, chairman of British Gas, has a personal reason for feeling happy about the sell off. His salary, which was £73,845 in the financial year to end March 1986, rose on privatisation to £175,000 per year — in other words £1,945 a week extra.

British Gas

British Gas, clearly is also a company which was very successful when publicly owned. It developed the UK's largest onshore oilfield Wytch Farm in Dorset and successfully expanded its North Sea oil interests until it was forced to sell both by the government. The *Investor's Chronicle* described British Gas as 'remarkably entrepreneurial' (24.10.86) and complimented the company on its "past efficiency".

British Gas has been a very profitable company in the last five years, as the table shows, although as the prospectus points out the level of profitability has varied as a result of changes in government policy, fluctuations in the dollar, in which gas brought from British gas fields is priced, and the weather.

Profits of British Gas

	Sales	*Pre-tax profits £m*
1982	5,106	743
1983	5,833	1,106
1984	6,395	1,185
1985	6,914	992
1986	7,687	1,100

The company is likely to remain profitable in the future, although, unlike most other privatisations, the company will now have larger interest payments so the 1986/87 profits forecast is £1,071 million.

On many of the other issues raised by privatisation it is too soon to reach a verdict. The issue attracted 4.5 million initial shareholders — with a return in the first year estimated by the *Financial Times* at 22% for those owning 400 shares this is not surprising. But it will be months before we know how many of these will stay with the company.

The impact on customers and employees is also not yet visible although the unions have expressed fears on safety, and jobs were already being shed long before privatisation — 16,000 in the last five years.

The impact on the economy will also not be clear for several years. However with gas supplying 44% of the UK's non-transport energy needs a major element of the economic infrastructure has been transferred to the private sector.

"extinguished" £100 million of capital debt and loans owed to it. As a result interest paid to the government fell from £6.7 million in the nine months to end September 1980 to zero in the year to end of September 1981.

At Amersham International the £7.3 million raised at the time of the sale together with other factors enabled borrowings to be reduced by £8.7 million. As a result interest payments were reduced by £0.5 million, an improvement which flowed directly into profits.

At British Aerospace the sale of shares in 1981 produced a benefit for the company which the prospectus estimated at £13 million for a full year. And at Associated British Ports new financial arrangements added £2.9 million to estimated pre-tax profits.

Extension of share ownership

As the government's privatisation programme has progressed the strategy of extending share ownership has moved more and more to centre stage.

In a major speech on privatisation in November 1983 the then minister responsible for privatisation John Moore stated that the main objective of the programme was "to promote competition and improve efficiency". The extension of share ownership was discussed only in terms of employees buying, or being given, shares in the companies for which they worked. Two and a half years later the balance had changed. Making another major speech on privatisation to the Institute of International Research in April 1986, John Moore said:

> "It might have been thought sufficient to see the transfer of successful, dynamic business to the private sector as an end in itself. I have no doubt however that when the final history of privatisation comes to be written; its effect on the patterns of ownership will be reckoned as its greatest achievement."

Peter Walker, the energy secretary, speaking to the CBI in November 1986, forecast that following British Gas and the subsequent privatisations there would be 10 million people owning shares by the end of 1987.

> "It must be recognised that there is now a big new capital market that is available. The participation in share ownership will give the ordinary families a new awareness of both the opportunities and the problems of British industry."

The key event which produced this change of emphasis was the privatisation of British Telecom in November 1984. The massive publicity and low price, which promised both a high rate of return and the prospect of significant capital gains resulted in 2.1 million people acquiring shares in the company.

Similar policies have been pursued with similar results with both the Trustee Savings Bank (which was not privatisation as the shares were not owned by the state), and British Gas. However as the table on page 40 makes clear, these mass issues have been so far the exception rather than the rule.

The four companies completely sold before the BT issue now have a relatively small number of shareholders. Amersham International, which started with 64,000 now has only a tenth of that number; Jaguar's share register has more than halved to 43,000; Associated British Ports has only 125,000 shareholders, compared with 150,000 when it was initially privatised; and Enterprise Oil has never had a long list of owners.

Cable and Wireless appears to have maintained its share register although after the first stage of privatisation (49.4% of shares were sold in October 1981) the number of shareholders fell from 157,000 to 26,000 by September 1982. The picture at British Aerospace is similar. The latest figures show 137,000 names on the share register, half the number of successful applicants for the shares in the second stage of privatisation in May 1985. If the pattern of the first stage is repeated, the number of shareholders will fall still further. There were 158,000 people and organisations with BAe shares in February 1981; by December there were 27,000.

Despite this it is undeniable that British Telecom has vastly increased the number of long term shareholders, even if the total of those holding BT shares fell from 2.1 to 1.6 million between November 1984 and May 1986. However, these large numbers of shareholders do not own very much. 1.2 million people, 77% of all BT shareholders, own less than 800 BT shares each thereby holding only 7.3% of the shares. In contrast the 1,313 individuals and institutions with more than 100,000 shares — 0.08% of the total number of shareholders — own 36.4% of BT's shares. (In addition the government has a 49.8% shareholding).

"these large numbers of shareholders do not own very much."

This pattern, of large numbers of people owning a small proportion of shares, is repeated in employee shareholdings for almost all the privatised companies. With one exception, the National Freight Consortium, employees' total shareholdings make up less than 5% of the total. 220,000 employees of British Telecom received shares when the company was privatised but they accounted for only 1.9% of BT's total share capital.

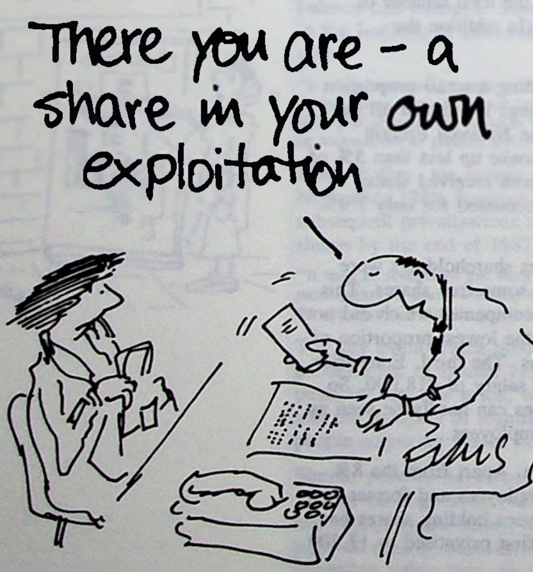
It is also interesting to note that in most cases shareholdings were encouraged by giving employees the right to some free shares. This has clearly been effective. Two of the three companies which did not offer free shares — Jaguar and NFC — had the lowest proportion of employees taking up the initial offer of shares. The third, Enterprise Oil, employed only 47 people on an average salary of £18,000. So the fact that 33 of its employees bought shares can hardly be seen as a massive widening of share ownership by employees.

The NFC, however, is in a different situation. Apart from the 8% held by the banks, its shares belong to its employees and former employees. In addition the number of employees holding shares has grown from 10,300 when the company was first privatised to 17,200 in October 1985.

Table 12: The disappearing shareholders

		Number of successful applicants for shares at privatisation	Current number of shareholders	
British Aerospace	Feb 81	158,000	137,000	Dec 85
	May 85	264,000		
Cable & Wireless	Nov 81	157,000	198,000	Aug 86
	Dec 83	35,000		
	Dec 85	219,000		
Amersham International	Feb 82	64,000	7,000	June 86
Britoil	Nov 82	35,000	246,000	Dec 85
	Aug 85	450,000		
Associated British Ports	Feb 83	150,000		
	Aug 84	6,000	125,000	June 86
Enterprise Oil	Jul 84	14,000	14,000	Dec 85
Jaguar	Aug 84	125,000	43,000	Dec 85
British Telecom	Nov 84	2,100,000	1,582,000	May 86

However there are two points on NFC which help to explain its unusual position. First the shares are not spread evenly among the workforce. Second, despite the high level of employees' share ownership, employees are working more for the banks than for themselves. The initial financing of the sale depended heavily on bank loans and in 1984/85 interest payments at £13.5 million were still almost three times dividends.



So far, however, the government can see the extension of share ownership as a political plus. This may not be permanent. Shares go down as well as up and British Airways, a company with a chequered profits record, may be the first mass privatisation company to demonstrate this.

As the *Financial Times* stated in June 1985 referring to levels of share ownership in the United States:

"There are a lot of wealthy individuals in the US for whom it is entirely appropriate to hold substantial sums in risk bearing securities. But Britain is a much poorer country."

Effect on the customer

The majority of the companies which have been privatised so far have little direct contact with the public as consumers. British Aerospace sells its aircraft and guided weapons to airlines and governments. Amersham International's products are not available over the counter at the chemists. Jaguar and Sealink do sell direct to customers but by and large they are operating in a strictly commercial environment with no element of public service. (Some of Sealink's less popular routes and times for example to the Channel Islands in the winter do have this aspect but these seem exactly those which are to be scrapped).

However, with the privatisation of large utilities, in particular British Telecom and British Gas, the state sell-offs are moving into the same area of a potential threat to public services as already exists with the contracting-out of local government and health services.

The sale of British Gas is too recent for there to be any information as to how it has operated in the private sector, although unions in particular have already expressed their concern on public safety in the future. But with BT it is already clear that the view that the first aim is to provide a service to the public has been replaced as the primary objective by the need to make a profit.

This is seen most obviously in BT's pricing policy. Starting before privatisation but increasingly since then, BT has been deliberately 'rebalancing' its pricing structure. This means increasing the cost to domestic subscribers for the benefit of business customers.

BT's most recent price changes, which came into effect in November 1986 were fully in line with this trend. Overall the price of the main inland services fell by 0.3%. (This is in line with the price increase formula of retail price increase minus 3% which BT accepted at privatisation). The range of changes introduced was extremely complex but, accepting BT's own figures, the bill of a typical residential subscriber was expected to rise by 1.9% while that of a typical business subscriber would fall by 0.2% and that of a large business by 1.4%.

BT's arguement is that it is the business subscribers who are more profitable and it needs to compete with its private sector rival Mercury, set up as an earlier Conservative attempt to bring the private sector into telecommunications. But the effect is to put up prices more for BT's largest group of customers even if they are not the heaviest users of the network.

This is not the only example where changes in BT's charges have been aimed more at maximum profits than improving services. The British Telecom Unions Committee highlighted two in its document *A fault on the line* published in November 1986. There are the new charges for the maintenance of emergency services — to borne in future by the police, fire and ambulance services — and the increased charge for putting in a telephone — up £10 to £95 from November 1986.

The government has regularly claimed one improvement in service as a gain from privatisation, the shortening of the waiting lists. But in fact the major change in this took place before privatisation. It was between 1980 and 1982 that the waiting list fell from 260,000 to 20,000 and by March 1984 BT was able to report that 90% of residential orders were met within 12 working days and smaller business orders within eight.

The issue of service to the public is likely to become more crucial if the government succeeds in its proposal to privatise more of the major utilities — water, gas, electricity etc. The government may believe, in John Moore's words, that:

"privatisation policies have now been developed to such an extent that regulated private ownership of natural monopolies is preferable to nationalisation". (July 1985)

But that proposition did not carry the day on the privatisation of the water industry, which has been delayed until after the election, partially because of public health fears, and it may be more and more tested in the months to come.

Impact on workers

Because most of the privatised companies have had strong union organisation and continuity of employment has been maintained, the sale of state assets has not had the disastrous impact on workers' pay and conditions as has been the case in the contracting-out of services. Wage levels have not been sharply cut and there has not been the all out assault on key aspects of conditions such as holidays or sick pay. (The one significant exception to this is the privatised former British Rail hotels).

However, jobs have been lost, particularly in companies being prepared for privatisation. Here the best example is British Airways, which employed 53,600 airline staff in 1980/81 but only 38,900 in 1985/86. It is difficult to disentangle the effects of privatisation from the government's general assault on employment in the public sector in particular job losses at British Steel, British Coal and the Rover Group (formerly BL) which were occurring even before it became the government's stated aim to return them to the public sector.

One thing is clear, the privatisation of a company offers no guarantee that job losses are at an end. British Aerospace's 1985 annual report shows 3,400 jobs going over five years; there have been redundancies at British Shipbuilders' former warship yards since privatisation and Associated British Ports has cut its workforce by a fifth.

In bargaining terms the key changes which privatisation has brought have been worsened pension conditions — an area where changes particularly for new employees may provoke little opposition but which offers employers substantial cost savings — and a much harsher industrial relations climate.

On industrial relations issues the TUC's booklet, *Bargaining in Privatised Companies* provides a range of examples where a move to the private sector has encouraged management to attempt to introduce some of the sector's worst practices. Wytch Farm has withdrawn a union membership agreement, Hoverspeed has refused union recognition, Cable and Wireless has questioned the appointment of a seconded rep for overseas staff and managers in the privatised warship yards have been told they no longer need to belong to a union. More recently the private owners of Sealink provoked a major dispute by issuing redundancy notices on their Channel Island routes without consultation.

The shift in management's attitude in BT is probably the most significant of the changes because of the size and importance of the company. Shortly before privatisation, in October 1984, Mike Bett, then corporate director of personnel, now managing director of inland communications, indicated that BT was prepared to abandon its previous policy of no compulsory redundancy. In the two years from March 1984 to March 1986 employment in BT excluding newly acquired companies has fallen from 241,000 to 230,200 and BT management clearly sees this as an achievement: to quote from the staff section of the 1985 annual report:

"the achievements included passing the reduction in job numbers which had been set in 1982."

As well as cutting numbers, BT plans to change the structure of its own staff. On 1 April 1986 it transferred some of its staff to separate subsidiaries — a move which the unions fear will lead to worsened conditions for those moved. And it is introducing more part-timers at the expense of full-time jobs. In the words of the 1986 annual report "as a company we are moving towards changes in working practices and I anticipate that we shall be making more use of part-timers in the future". This is already being reflected at local level. A recent survey of flexibility practices in industry as a whole found union branches in BT reporting an increased use of part-time workers, sub-contractors and agency and short term staff *(Bargaining Report 56)*.

Finally BT is stepping up its pressure on its own managers. The TUC report pointed out that the company was attempting to remove senior managers from collective bargaining and the Society of Telecom Executives, the TUC union representing BT's managers found its members locked-out in a dispute over accommodation, and embroiled in an action over call-out arrangements. The STE's journal summed up BT's attitude in the following terms:

"On evidence before it so far, STE can only characterise BT's current approach to industrial relations as one of malign neglect ... The board is aware that one of the touchstones that this government applies in measuring entrepreneurial performance is the nature of its relationships with unions which represent its staff. In the eyes of this government good industrial relations are usually regarded as a conspiracy between management and unions. Bad industrial relations can usually be seen as the management standing up for its rights in some way and thus earning brownie points from this government. However BT appears to have done a lot more than is necessary in order to get its requisite number of brownie points." (*STE Review* April 1986)

Pensions

Almost all public corporations have pension schemes which guarantee that the value of pensions will be maintained in line with inflation. The government has tried since 1979 to find ways of ending this protection for public sector pensions, and privatisation has provided them with an environment in which it is being achieved.

British Airways, which has long been preparing for privatisation has set the pace. In April 1984, it set up a new pension scheme to which all future recruits would automatically belong. The new scheme has worse benefits than the old one: it will only increase pensions up to a maximum of 5% per year, even if inflation is much higher: and the pensions paid out will be reduced by the equivalent of the state pension. BA also encouraged workers covered by the existing scheme to transfer to the new one, warning each one bluntly that "his or her accrued benefits to date under the New Airline Pension Scheme" would be less than they were under the Airline Pension Scheme (*BA Annual Report 1984/5*). The company offered to pay a cash sum equivalent to the loss in benefit — less 15% towards the company's tax bill on the transaction. About half the employees took up this offer.

British Telecom has taken a similar decision. Despite bitter opposition from the BT unions, it introduced a new pension scheme for all recruits from April 1986, which will also have a ceiling of 5% on increases, and incorporate a deduction for the state pension. BT took this step despite generous reductions in the cost of the existing pension scheme to the company before it was sold off. The government has taken over the liability to make annual payments until 1992 to pay off a deficit of £1,250 million; and at the same time the pension contributions made by the company were cut from 15½% to 13½% of pay.

Pension benefits have also been cut for workers in parts of British Steel sold to the private sector; in Associated British Ports; and have been threatened in proposals to sell off bodies, such as the Royal Ordnance Factories and the Heavy Goods Vehicle Testing Stations.

Impact on the economy

Any analysis of the overall impact of privatisation on the economy so far has to concentrate on British Telecom. British Gas, the only state sell off which compares in size, is too recent and most of the other sales are of companies which are less crucial. British Aerospace and the warship yards of British Shipbuilders are important but the government maintains an indirect influence over both in its ordering policy — through the Ministry of Defence and, at least until now, through British Airways.

The record of BT so far gives no grounds for optimism. In particular

the privatisation of this major electronics purchaser threatens the future of the UK's electronics industry. In a report published in the summer of 1984 the National Economic development Office (NEDO) concluded that information technology in Britain "may not be able to survive as a serious independent industry". One of the suggestions it made to overcome this was that public purchases of electronic equipment should be co-ordinated and directed towards UK suppliers.

BT since then seems to have done the opposite. In March 1985 it announced that up to 20% of its future orders for exchanges would be for a system developed in Sweden. This was partially responsible for the loss of 900 jobs at GEC and was described by the chair of GEC as a decision which "undermines the credibility of British manufacturers as competitors in foreign markets".

In February 1986 BT bought the Canadian exchange manufacturer Mitel with whom it intends to develop new private telephone exchanges — a move which threatens BT's existing suppliers GEC, Plessey and TMC (part of the Dutch Philips Group).

There are also some signs that BT may be succumbing to the pressure, common to the private sector, to maximise profits in the short term at the expense of long term prospects. Research and development is a key element of planning for the future and since privatisation R&D spending has declined from 2.7% of turnover in 1982 and 1983 to 1.9% in 1986.

Setbacks

The government's privatisation policy has not been without its setbacks. The most major was the unexpected postponement of water privatisation until after the next election announced in July 1986.

The Royal Ordnance, a major industrial group employing 18,500, making a range of weapons and ammunition, was to be floated on the Stock Exchange in July 1986. But in June the sale was abandoned as the company was not ready to be sold. Instead on 24 July the defence secretary announced that he planned to sell the tank factory at Leeds for £11 million.

British Airways, whose privatisation was only finally approved in October 1986, has been repeatedly scratched from the privatisation list. First because of airline recession in the early 1980's, then because of the Laker law case and most recently, in March 1986, because of the slump in the transatlantic passenger trade, and resulting poor profits.

The government's aim to privatise all or part of the Rover Group (formerly BL) was thrown into complete disarray early in 1986 when the government rejected, under pressure, General Motor's offer to buy Leyland Trucks and refused to accept plans for a management buyout of Landrover.

Job losses from contracting out

The estimates of job losses are derived from a number of sources. The table below sets out the complete breakdown. 'Gross' job loss means the reduction in the number of directly employed public service workers; 'net' job loss refers to the reduction in jobs after allowing for the numbers employed by contractors. 'Whole time equivalents' (wtes) are defined as in the relevant official statistics: in the civil service, the convention is that 1 part-time worker=0.5 wte; in the NHS wtes are pro rata to the actual hours worked by part-timers; in local government 1 part-time manual worker=0.41 wte.

Table 13: Job losses from tendering up to 1986

		Building workers contracted-out			Cleaners, catering contracted-out			Other contracted-out			Total contracted-out			
		Gross	*Net*	*Inhouse*	*Gross*	*Net*	*Inhouse*	*Gross*	*Net*	*Inhouse*	*Gross*	*Net*	*Inhouse*	*Net plus inhouse*
Civil service[1]	Nos	7,978	4,000	–	19,000	6,500	2,000	–	–	–	26,978	10,500	2,000	12,500
	wtes	7,978	4,000	–	10,370	3,500	1,000	–	–	–	18,348	7,500	1,000	8,500
NHS[2]	Nos	–	–	–	17,500	5,500	8,000	–	–	–	17,500	5,500	8,000	13,500
	wtes	–	–	–	12,500	4,000	6,000	–	–	–	12,500	4,000	6,000	10,000
Local govt[3]	Nos	7,500	3,750	–	4,000	1,000	1,250	3,000	1,000	1,000	14,500	5,750	2,250	8,000
	wtes	7,500	3,750	–	1,600	400	500	3,000	1,000	1,000	12,100	5,150	1,500	6,750
Total (M & F)	*Nos*	*15,478*	*7,750*	–	*40,500*	*13,000*	*11,250*	*3,000*	*1,000*	*1,000*	*58,978*	*21,750*	*12,250*	*34,000*
	wtes	*15,478*	*7,750*	–	*24,470*	*7,900*	*7,500*	*3,000*	*1,000*	*1,000*	*42,948*	*16,650*	*8,500*	*25,150*
									Percentage female[4]	*Nos*	*68.7%*	*59.8%*	*91.8%*	*71.3%*
										wtes	*57.0%*	*47.4%*	*88.2%*	*61.2%*

Table 14: Job losses from tendering in future on government plans

		Building workers			Cleaners, catering			Other			Total			
		Gross	*Net*	*Inhouse*	*Gross*	*Net*	*Inhouse*	*Gross*	*Net*	*Inhouse*	*Gross*	*Net*	*Inhouse*	*Net plus inhouse*
Civil service[5]	Nos	1,500	750	–	3,000	1,000	300	6,000	2,000	700	10,500	3,750	1,000	4,750
	wtes	1,500	750	–	1,800	600	200	6,000	2,000	700	9,300	3,350	900	4,250
NHS[6]	Nos	–	–	–	17,500	5,500	8,000	–	–	–	17,500	5,500	8,000	13,500
	wtes	–	–	–	12,500	4,000	6,000	–	–	–	12,500	4,000	6,000	10,000
Local govt[7]	Nos	–	–	–	179,000	52,000	26,000	77,000	22,000	11,000	256,000	74,000	37,000	111,000
	wtes	–	–	–	84,000	24,000	12,000	70,000	20,000	10,000	154,000	44,000	22,000	66,000
Total	*Nos*	*1,500*	*750*	–	*199,500*	*58,500*	*34,300*	*83,000*	*24,000*	*11,700*	*284,000*	*83,250*	*46,000*	*129,250*
	wtes	*1,500*	*750*	–	*98,300*	*28,600*	*18,200*	*76,000*	*22,000*	*10,700*	*175,800*	*51,350*	*28,900*	*80,250*
									Percentage female[4]	*Nos*	*77%*	*73%*	*76%*	*74%*
										wtes	*59%*	*60%*	*65%*	*62%*

1. Civil service figures based on gross wtes reported annually by the Treasury as job reductions due to contracting-out. Figures for building are the numbers attributed to the Property Services Agency: the vast majority of the rest are cleaners, plus some catering workers. Wtes are converted to numbers by using the ratio of 6:1 part-time to full-time cleaners, implied by 'Civil Service Statistics', and converting 6/7ths of the wtes to numbers by applying the civil service convention of 1 part-timer = ½ wte. Net figures for building based on ratio of contractor's employees to self-employed being 50:50 (see *Housing and Construction Statistics*), and no net loss apart from this. Net figures for cleaners based on reduction of about ⅓ in numbers employed by contractors (see *The Public Cost of Private Contractors*). The Treasury claim cumulative annual savings from contracting-out of £22 million (see *Using Private Enterprise in Government*, note 2), excluding in-house savings; this is approximately in line with the net contracted job loss of cleaners (at about £6000 p.a. gross labour costs): the Treasury's latest report states that no financial savings are made from contracting-out building work).

2. NHS figures are based on (a) union figures showing about ¼ of contracts have been won by contractors, and ¾ inhouse (b) about half the NHS tendering exercise had been completed by mid-1986, but mainly in England: in April 1984 there were about 100,000 domestic, catering and laundry workers (wtes) in the NHS in England; so about 50,000 have been covered by tenders so far. (c) contractors' cut in jobs is taken as averaging ¼ — somewhere below the cuts of 40% commonly made in costs, because of the cuts made in pay and conditions — while inhouse tenders are taken as averaging 1/6 cuts in jobs (actual observed cuts range from 10% to 30%). These figures together give contractors' gross cut as 25% × 50,000, i.e. 12,500, and the net cut as ⅓ of that, i.e. about 4,000; and inhouse cuts as 1/6 × ¾ × 50,000 i.e. about 6,000. These are then converted to numbers on the basis of NHS stats showing that for this group of ancillary workers 1 part-timer = ¾ wte. This estimated loss of 18,500 gross jobs compared with a fall of 27,100 in ancillary wtes in England between March 1984 and March 1986. The estimated net loss of 10,000 jobs (including inhouse losses) out of 50,000 covered by tendering compares with savings from contracting-out and inhouse tenders in the South West Thames Regional Health Authority averaging about 20%.

3. Local govt figures are derived in three ways. Firstly, the building figure is estimated on the basis of the loss of 3.1% of local authority building work by DLOs to contractors between 1981 and 1985 (CIPFA), which equates to about 7,500 gross job loss; a LACSAB estimate of 5% loss of DLO jobs due to the 1980 Act implies a very similar figure. Net loss in building is estimated as for civil service (see above). Secondly, the 'other' figure is taken from the total known net and gross job loss on cleansing contracts, grossed up for those few where details are not available (see table). Inhouse savings are estimated mainly from the Birmingham deal, grossed up by a factor of 4 to allow for other similar deals. Thirdly, the cleaning figures are rough estimates of the likely scale of job loss from the scattered deals in this area done by various councils: it excludes the school cleaning contracts in Cambridge, Birmingham and Dudley which have now been ended, but includes the Lincolnshire cleaning contracts where the net job loss is nil, all the cuts coming in pay and conditions.

4. Female percentage calculated on assumption that all cleaning, catering jobs etc are female; while others are assumed to be male.

5. Civil service building on basis of 18% maintenance work still to be contracted out (see *Using Private Enterprise in Government*), roughly 1/5th of what has gone up to 1986; cleaning on basis of 16% left, roughly 1/6th of what has gone up to 1986; others as conservative estimate of jobs endangered by new drive for contracting-out.

6. NHS estimated on basis of other half of current tendering programme to be completed, with same results as half already completed

7. Local government estimates all derived from *The Public Cost of Private Contractors* (SCAT). The core estimate taken is 74,000 for total net job loss from contractors; inhouse losses are derived by assuming losses at half the rate of contractors; cleaning and catering proportions, and ratio for estimating gross job loss, taken from detailed results of Sheffield study in TPCoPC.

Table 15: Job losses on refuse collection/ street cleaning contracts

Authority	*Contract R=refuse S=street cleaning*	*Jobs with direct labour*	*Jobs with contractor*	*Percentage job loss*
Southend	R/S	297	84	28.3%
Wandsworth	S	100	37	37.0%
Kensington & Chelsea	R	40	6	15.0%
Eastbourne	R/S	140	50	35.7%
Wandsworth	R	216	83	38.4%
Merton	R/S	176	81	46.0%
Tandridge	R	58	21	36.2%
South Oxfordshire	R	59	16	27.1%
Milton Keynes	R/S	104	30	28.8%
Taunton Dene	R	43	21	48.8%
Wirral	R/S	456	202	44.3%
Bath	R/S	93	41	44.0%
Vale of White Horse	R/S	64	19	29.7%
Ealing	S	128	52	40.6%
Tamworth	R	21	4	19.0%
South Kesteven	R/S	88	43	48.9%
Basingstoke	R	78	35	44.9%
Solihull	R	90	25	27.8%
Arun	R	64	12	18.8%
Totals		*2,315*	*862*	*37.2%*

Source: *'Public Cost of Private Contractors'*, updated.
Detailed figures on the following contracts are unavailable: Chiltern (R), North Norfolk (R), Bromley (S), Mendip (R), Penwith (R), Sevenoaks (R).

The growing importance of privatisation

The government's financial plans depend to an increasing extent on the receipts from privatisation as the table below shows. The £377 million received in 1979/80, largely for sale of shares in BP, was equivalent to less than 1p change in the rate of income tax. The sales planned for 1987/88 would allow the Chancellor to cut the rate of income tax by 4p and increase the single person's allowance by £200.

	Central government's privatisation receipts £m
1979/80	377
1980/81	405
1981/82	494
1982/83	488
1983/84	1,142
1984/85	2,091
1985/86	2,072
1986/87 estimate	4,750
1987/88 planned	5,000

Sources: *Public expenditure white paper* (Cmnd 9702); *Autumn statement 1986;* and *Financial Statement 1979/80.*

The government plans assume that income from privatisation will be £5,000 million a year for each of the next three financial years, ie until April 1990. However this level of sales cannot continue indefinitely. (According to the *Financial Times* 7 October 1986, government officials estimate the value of already scheduled privatisation and candidates for future flotations at £26,000 million).

Negotiate with LRD

The Labour Research Department sold nearly half a million of its publications to trade unionists and members of the labour movement last year. To order write to The Secretary, LRD, 78 Blackfriars Road, London, SE1 8HF enclosing cheque for publications requested.

Unions at Work — based on a unique LRD survey of more than 250 workplaces it shows what representatives can bargain over and explains how the law affects them. £1.25p (November 1986)

Labours and Remarks of Evans draws together some of the most popular Evans cartoons with new illustrations specially prepared for the booklet. Looks at Tory links with big business, anti-union laws, privatisation, benefit cuts, South Africa and company profits. Price £1.65 (October 1986)

Women's Pay — claiming equal value provides a concise yet comprehensive account of new legislation giving women the right to claim equal pay for work of equal value to men's. Packed with examples of best practice and industrial tribunal cases it should be a useful guide for negotiators. Price £1.10p (March 1986)

Protective Clothing — a guide the range of protective clothing is vast from the simple overall to the complex airstream mask. Users want to know how effective the protection is. This booklet explains how the clothing works and suggests alternatives for specific problems. Price £1.10 (October 1986).

Employment Law under the Tories — shows how the law now operates to frustrate union organisation and collective strength and to undermine individual rights. Price £1.10 (August 1986).

Part Time Workers — looks at the rapid growth in part time employment, shows how unions have responded to the challenge of new recruitment, explains the legal rights and illustrates the collective bargaining improvements. Price £1.15 (May 1986)

Early Retirement A look at a new issue for trade unionists, with detailed guidelines for negotiating the best arrangements. Price £1.10 (November 1985)

VDUs Health and Jobs As many as 2m VDUs are now in operation in the UK. Concern about health risks and job loss are dealt with in this new booklet. Price £1.25 (September 1985).

Our regular publications:

Labour Research: LRD's monthly publication and Britain's leading trade union magazine. Its regular surveys of the economy and industry, politics and power look at Britain through the eyes of its organised workforce. An annual subscription to Labour Research costs £13.35 to affiliates, £15.50 to non-affiliates — can your branch afford to be without it?

Bargaining Report: 11 issues a year containing survey material on major pay and conditions topics presented from the standpoint of trade union best practice. Price £17.75 to affiliates and £26.50 to non-affiliates and £135 to employers and commercial organisations.

Fact Service: is LRD's weekly news bulletin that provides a regular flow of up-to-date facts on employment, prices, earnings and directors' pay. Drawing on government statistics and other sources it gives trade unionists concise and relevant information about the economy, industries, companies and personalities. Price £22.50 to affiliates and £25.50 to non-affiliates.

Black Workers, Trade Unions and the Law shows that workers organised in their unions can effectively combat racism and racial discrimination when they take up issues at work relevant to black members. Individual sections deal with workplace agreements, black members in the union, race discrimination law and immigration controls. Price £1.15 (October 1985)

Profiting from Apartheid is a guide to Britain's involvement in South Africa. It shows how British business profits from apartheid, listing those companies most heavily involved. Trade unionists using this booklet can determine which companies have South African interests or pay below the EEC recommended rate to black Africans. Price £1.40 (July 1986).

The few have gained from privatisation — the catering firms who have so generously donated to the conservative cause, the merchant bankers and chairpersons of former nationalised industries who have enjoyed high increases in their personal incomes, the rich, who have been the sole beneficiaries of the tax cuts financed by selling off state industries.

Public services and the country's major industries have gained nothing from privatisation. Workers have seen job cuts and worse pay and conditions and users have seen services deteriorate.

An LRD Booklet January 1987